

Koetting,
Concur Expand
TripLink
22



Buyers Reconsider
Global TMCs
16



Omni's Faust
Talks Growth,
Portfolio
19



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June 16, 2014

SHARING IS SCARING

Airbnb and Uber's rising prominence prompt some corporate travel managers to crack down on traveler use. Page 10



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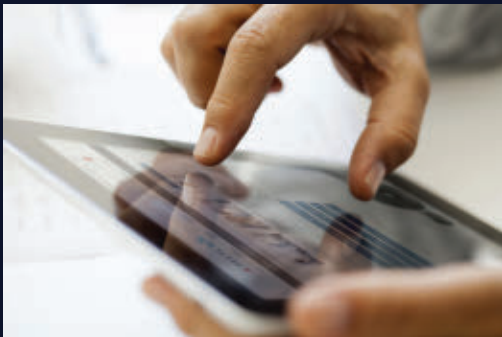
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Contents

JUNE 16, 2014

“I got back in this space really to work with private equity. There is a lot of money sitting on the sidelines.”

—DIRECT TRAVEL'S ED ADAMS, PAGE 6



Managed corporate travel in Latin America is showing new signs of maturity, though globalizing travel programs remains a challenge. 30

On The Horizon 4

As IBM sunsets GERS, Concur aims to persuade blue-chip expense clients to switch to its expense management system

Management 14

The U.S. GSA confirms Concur has addressed “all major concerns” regarding ETS2; Adelman Travel shifts focus to consulting and tech

Lodging 18

Hotel executives again to seek negotiated corporate rate increases; Hilton launches an upper-tier “soft brand” collection of properties

Payment/Expense 24

Visa implements new transaction categories for ancillary airline fees; Amex and U.S. DOJ prepare for a July antitrust trial

Metrics 8

ARC figures show April average airfares sorted by agency segment as well as average roundtrip ticket prices on key routes

Procurement 15

HRG's U.K.-based clients show an “indisputable” decline in business-class use; Avis Budget Group posts higher commercial rates

Meetings 20

Cisco Systems unveils a network of high-tech conference rooms; Almo Corp. turns to tech to enhance the attendee experience

Distribution 26

U.S. DOT proposes an ancillary-fee rulemaking; Travelport files for an IPO; HRG sets aside £5 million for technology investment

Cover Story 10

Some corporate travel buyers are urging their travelers to avoid ascendant sharing-economy tech tools Uber and Airbnb

Multinational 16

Some buyers are shifting away from global travel management company arrangements, in favor of a best-in-region approach

Technology 22

Concur announces several product and service enhancements; Cornerstone woos direct corporate clients with data platform

Blueprint 32

Oversight Systems' Chris Rossie on the importance of monitoring business travelers' expense reports to thwart waste, fraud and abuse

Concur Seizes Opportunity To Scoop Up IBM's GERS Customers

BY JoANN DeLUNA

ONCE A DOMINANT player in providing expense management systems, at least for very large expense programs, IBM is winding down Global Expense Reporting Solutions and giving way to the current leader in the space. Concur now aims to persuade IBM's clients, including some pretty big names, to switch over to its expense management system. At the same time, IBM's decision to choose Concur as a partner while it sunsets GERS could help it keep some BPO clients rather than driving them to competitors.

IBM last month acknowledged plans to cease operating GERS as an individual offering and instead will refer customers to Concur.

"IBM in that part of the business I think is not seeing a lot of growth," said Concur vice president of corporate strategy and investor relations Todd Friedman last month during a presentation at a Raymond James investment conference. "It made sense for IBM to find a partner there and say, 'We are going to sunset our product, but rather than just let you go away, we are going to suggest you move to this one,' and maintain those relationships. If you are IBM, you'd much rather see customers go to Concur than Oracle or SAP, for obvious reasons."

IBM and Concur have declined to reveal the number of customers that use GERS. Friedman said those customers are "really solid, blue-chip customers that we would really love to have," and Concur COO Rajeev Singh recently told *The Beat* that they are "keen targets" for Concur.

IBM on April 28 notified audio and electronics company Harman International that it would retire GERS on March 31, 2016, but would honor all customer contracts beyond that date, Harman director of global corporate travel Sally Abella said. IBM is referring GERS customers to "preferred partner" Concur as an "alternative software" tool, according to Abella.

An IBM client since 1995, Harman's GERS contract was set to expire in December 2013, but Abella said the company renewed it through March 2015. Harman in December issued requests

for proposals and soon plans to decide on a new expense tool, according to Abella.

Pharmaceutical company Eli Lilly and healthcare firm WellPoint also

include Lockheed Martin, Johnson and Johnson, Chevron and Publicis, according to *BTN's* 2013 Corporate Travel 100 report.

"We understand that it's incum-

"It made sense for IBM to find a partner there and say, 'We are going to sunset our product, but rather than just let you go away, we are going to suggest you move to this one,' and maintain those relationships," said Concur vice president of corporate strategy Todd Friedman.

confirmed that IBM notified them of plans to shut down the expense system. In addition to IBM itself, other major corporations that use GERS

bent upon us to demonstrate value to each and every one of these customers to move them forward," Singh said. "These customers are part of a broader

landscape of a universe that is still very underpenetrated. We look at the mid-market of our business and there's less than 5 to 10 percent penetration, [while the] enterprise and global customer base penetration rate is about 10 percent at the top end."

Singh added that the IBM partnership would provide a "smooth and orderly" transition for GERS customers interested in switching to Concur Expense, and that Concur also would facilitate integration with other IBM software for finance, procurement or accounting functions. When asked if GERS customers would receive special pricing or discounts for switching to Concur, Singh said pricing will be discussed during "individual conversations" with customers.

Noting that IBM's "significant customer base" of T&E clients primarily is composed of large enterprises, Singh said the transition will be a "multiyear process." 

U.S. DOT Tentatively OKs IATA's New Distribution Capability

The **U.S. Department of Transportation** last month tentatively approved the **International Air Transport Association's** proposed New Distribution Capability data transmission standard, while adding what it called "several safeguards specifically designed to protect privacy, ensure competition and consumer choice." DOT's tentative approval incorporates the conditions from a January agreement between IATA and former NDC opponent **Open Allies for Airfare Transparency**. DOT also "has added several consumer safeguards ensuring that those shopping for air travel could not be required to disclose personal information, and specifying that airlines and ticket agents would be obligated to follow their published privacy policies on the sharing and storing of personal information," according to a statement. "The Department also makes clear that consumers' ability to shop anonymously must not be undermined by new data transmission standards for communications and marketing practices," DOT continued. DOT justified its tentative approval by citing the potential benefit NDC could offer travelers. "The absence of a common, up-to-date data transmission standard has meant consumers must check multiple sources to identify competing fare options and information about the comparative cost of additional ancillary services, such as extra leg room, Wi-Fi and advance boarding, that many of today's air travelers view as critical to a satisfying trip," according to DOT. The tentative approval kicked off a public comment period that ran through June 11, with responses to any questions raised in those comments to be answered by June 20.

Canada Readies Permission For Inflight Electronics Use

The Canadian government "soon" will allow passengers to use personal electronic devices during takeoff and landing, following a similar decision by U.S. authorities. "Passengers will soon be able to use portable electronic devices such as cameras, electronic games, tablets and computers during all phases of flight," **Transport Canada** announced last month. Before Canada clears passengers to use electronic devices during takeoff and landing, air carriers first must "demonstrate that their aircraft are not affected by the use of the devices and that during critical phases of flight and during emergencies, all passengers are aware of and able to follow crew instructions," according to the announcement.

GBTA: Strong 2015 Growth To Follow Tepid 2014 Gains For Indian Business Travel

India's total business travel spend in 2014 is projected to grow 2.1 percent year over year to \$24.9 billion, and in 2015 increase 7.9 percent to \$28.8 billion, according to the **Global Business Travel Association Foundation**. The education and research arm of GBTA this month released its first BTI Outlook—India report, a semi-annual business travel and economic analysis. The foundation projected India's domestic business travel spending, which comprises 90 percent of the country's total business travel spending, in 2014 to grow 2.2 percent. Thanks in part to recent election results, which GBTA indicated could provide a boost in business and investor confidence, domestic business travel spend in 2015 will advance 7.7 percent to \$24.2 billion, according to the report. India's international outbound business travel spending is expected to grow 1.1 percent this year and 7 percent next year. "The recent landslide victory of Narendra Modi and the Bharatiya Janata Party in India's May elections have renewed optimism for more pro-business reforms and accelerated infrastructure investment," according to GBTA vice president of operations for Asia/Pacific Welf Ebeling.

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"We're very excited that our growth has put us into a position where our manual processes no longer can keep up with the demand."

—JetBlue Airways vice president of sales and revenue management

Dennis Corrigan on the carrier's implementation of Prism, the software used by most major U.S. airlines to measure client market share when crafting and monitoring corporate deals

"We are able to deliver an online booking experience to the corporate traveler that mirrors the tools they choose to use as a leisure traveler on Orbitz ... while incorporating all the requirements around compliance and negotiated rates."

—Orbitz Worldwide CEO **Barney Harford** discussing a new Orbitz for Business agreement to provide an online booking tool for IBM through 2020



"We're willing to be partners with online travel agencies, but the cost has to be commensurate with the value. Given that we can capture most of that revenue through our direct channels means we're not willing to pay much to be in online travel agencies. ... Other agencies, particularly brick-and-mortar, are another story."

—American Airlines president **Scott Kirby** last month at the Wolfe Research Annual Global Transportation Conference in New York

"These tools have moved from being commodities to being something that's really critical to our success as an airline and critical to our ability to innovate and move forward."

—Delta Air Lines CIO

Theresa Wise in The Beat on the May agreement to reacquire from Travelport the Deltamatic passenger services and OSS flight operations systems



Interview: Direct Travel's Ed Adams



Ed Adams has some of his band back together, and he's trying to replicate his success with Navigant International, which after a big agency roll-up was sold in 2006 to Carlson Wagonlit Travel. He returned to the scene in 2011 when private-equity investment firm Silver Oak Services Partners bought what then was called Directtravel and installed him as CEO. The firm's stated plan is to consolidate several midmarket corporate travel agencies into a \$1.5 billion travel management

company. He recently spoke with *The Beat's* David Jonas about the roll-up plan and Direct Travel's position in the industry. Excerpts follow.

David Jonas: What were the most important lessons learned from what you had accomplished at Navigant?

Ed Adams: The importance of keeping the key employees and the key stakeholders within the mid-market customer engaged and trying to coordinate and consolidate methodologies, from front office, mid-office and back office. The small- to middle-market customers are so different

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in terms of what they are looking for from a service provider. So the biggest lesson we learned is that you keep the people in the field that have the interface with the customer—whether it's the agents, account managers or salespeople. [At Navigant] we made about 60 acquisitions, and we were very fortunate to have about a 98 percent retention rate. A lot of that was attributable to the types of agencies we were buying and the attention to keeping those people engaged with the customer.

Jonas: You pulled off a roll-up then, and you are working on one now. How much is about timing, in terms of macroeconomics or the travel industry cycle? Or is it simply a matter of being opportunistic when owners of good TMCs are looking to sell?

Adams: It's probably the latter. I got back in this space really to work with private equity. There is a lot of money sitting on the sidelines. Because I had done it in the past they were willing to back an opportunity to do it again. There are some very good midmarket TMCs out there, with individuals who have been at it as long as I have—I got into it in 1979—and want to have a capital event, take some chips off the table and keep their legacy going in terms of making sure their employees are engaged and working toward something bigger.

Jonas: At Direct Travel, you've already made some acquisitions. Can you talk about integration?

Adams: For the first three [Corporate Travel Services in Minneapolis, Travel Management Corp. and what had been Directtravel], we have everyone under a common identity. We rolled out the new brand, Direct Travel. We are in the process of integrating the mid-office and the back office. For the two most recent, Caldwell in Nashville and Travel Destinations Management in Baltimore, we'll be looking to bring

them under that Direct Travel umbrella probably in the next four to six months. At Navigant it was a little different, because it was a public company. The brand was pretty well-established, but even then we wouldn't [integrate] immediately. You don't want to try to fix something that isn't broken or disrupt the customers and employees. We take it slow and eventually get there.

Jonas: Is there a particular number of additional acquisitions that you have in mind, or is the goal still to create a \$1.5 billion travel management company through whichever combination of acquisitions gets you there?

Adams: It's ultimately about capital availability. We are looking to put \$150 million of equity/debt in play. I'd love to get to \$18 million to \$20 million EBITDA. At that number, it opens all kinds of new possibilities in terms of a bigger private equity firm opportunity maybe to move outside North America and other possibilities on the table. Right now we are committed to about \$150 million; it's kind of the governing factor. Whether that's another five agencies or one big agency, it doesn't matter. There are some good big agencies out there and some good smaller agencies out there.

Jonas: How much of the growth will be organic?

Adams: We've brought on some great salespeople; Ronda Shipley is running that effort for us. It is a big component. We are actively responding to RFPs.

Jonas: Do you compete for any multinational business?

Adams: Not directly. We are involved in GlobalStar and the agency we bought in Baltimore [Travel Destinations Management] is a BCD [Travel] affiliate, and the agency we bought in Minneapolis [Corporate Travel Services] is an American Express affiliate. So we work with a number of affiliates to service multinational accounts, but our sweet spot right now is North America.

Jonas: Is the plan to standardize all operations on specific mid- and back-office products?

Adams: Yes. We will pick a mid-office platform and eventually standardize all the acquisitions on that, and same with the back office. ➔

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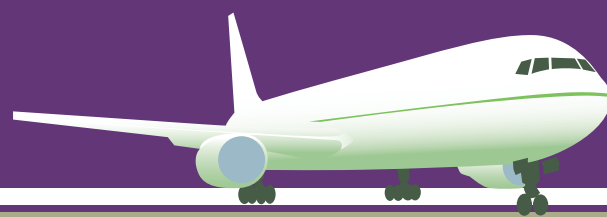
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April Average Airfares Mostly Higher On Key Routes

Average Roundtrip Ticket
Price Paid Including Taxes,
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Washington Dulles - Los Angeles Int'l

\$673 +5.1%

Chicago O'Hare - San Francisco

\$592 +4.7%

NYC - Atlanta

\$569 +23.8%

Chicago O'Hare - Los Angeles Int'l

\$519 +14.3%

NYC - Chicago O'Hare

\$488 +6.1%

NYC - Miami

\$420 +16.6%

NYC - Ft. Lauderdale

\$402 +25.2%

Chicago O'Hare - Minneapolis/St. Paul

\$401 +34.2%

Boston - Chicago O'Hare

\$385 +9.1%

Atlanta - Orlando

\$376 +27.1%

Boston - Washington National

\$333 -0.5%

Los Angeles - San Francisco

\$270 +3.1%

Notes: Fare data is based on tickets purchased/issued in April 2014, includes mandatory taxes and fees and encompasses roundtrips originating in either airport on a given route. "NYC" includes New York LaGuardia, New York JFK and Newark Liberty airports.

Travel Agency Segments

MEGAS include American Express, BCD Travel, Carlson Wagonlit Travel, Expedia's Egencia, Hogg Robinson Group and Omega World Travel.

ONLINE includes various online travel agencies, including Orbitz for Business and BCD Travel's Travelocity Business.

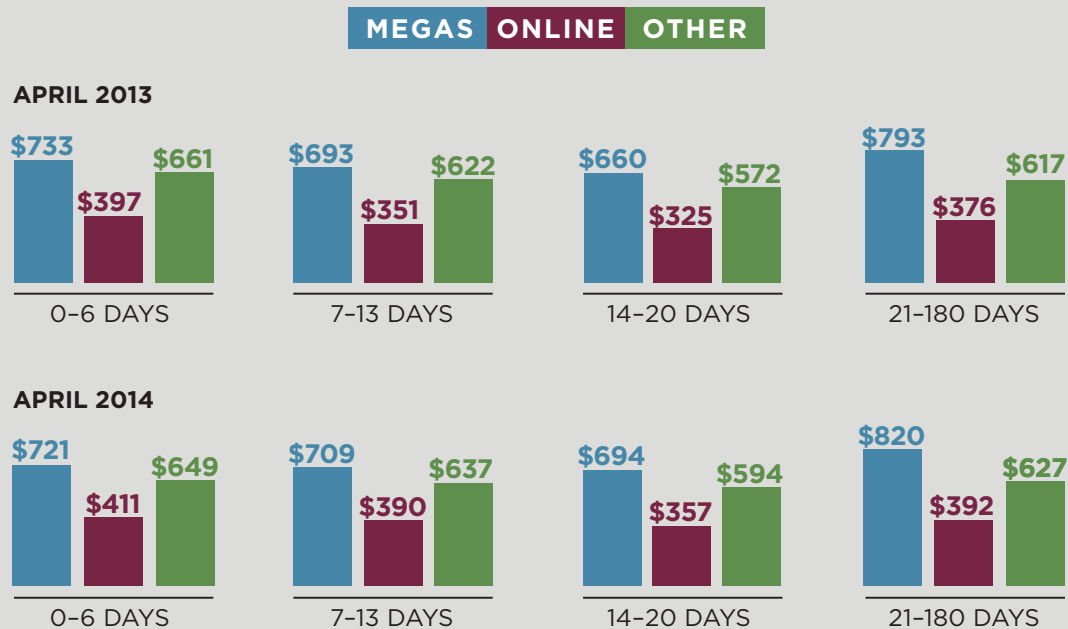
OTHER includes all other travel agencies whose data is processed by ARC.

Average Fares

Aggregate Roundtrip Fares Purchased During The Month, Excluding Taxes

	MEGAS	ONLINE	OTHER
APRIL 2013	\$732	\$393	\$656
APRIL 2014	\$765	\$423	\$669

All Fares, By Advance Purchase



April Air Transactions

By Segment, In Thousands, Excluding Refunds And Exchanges

	APRIL 2014	YEAR-OVER-YEAR CHANGE
MEGAS	2,631	+2.5%
ONLINE	4,083	-5.0%
OTHER	4,924	+8.0%
ALL	11,639	+1.9%

Source: ARCLabs



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*AS AIRBNB AND UBER RISE,
SOME CORPORATES URGE TRAVELERS
TO STEER CLEAR OF PEER TO PEER*

By Jay Boehmer

ING Y

When it comes to innovations in the travel sphere, home-sharing marketplace Airbnb and mobile on-demand transportation services provider Uber are hard to ignore. Both have attracted huge sums of capital and each has greatly expanded upon a foundation of consumer loyalty. They have been hailed as innovators, emblematic of how quickly technologies can transform travel services.

Yet, for all the notice, these two companies have been magnets for less-desired attention from regulators, lawyers and entrenched players in the businesses they seek to disrupt.

Airbnb, for example, has faced challenges around tax obligations, concerns related to safety and questions as to whether hosts violate local renting laws, most notably in New York City.

Similarly, for all of its praise as a facilitator of consumer convenience, Uber has drawn protest from the transportation establishment and local ground transport regulators, quite a few of whom say the company and its drivers operate outside the bounds of legal frameworks. Safety too has drawn concerns.

Now, both firms also are prompting caution from corporations that manage employee travel. While a few travel managers have lauded the innovators in concept—and some acknowledged using the services outside the scope of business travel—several also cast Airbnb and Uber as the latest in a line of consumer travel technologies whose crossover appeal to managed travelers gives rise to unique challenges.

Both firms, managers have noted, can complicate preferred supplier usage, corporate booking dictates and duty-of-care obligations. In some cases, corporations expressly have forbidden their use via written travel policies. As some seek to plug the genie's bottle, a few are pursuing a corporate-sanctioned alternative.

SHARING: NOT ALWAYS CARING

Launched in 2008 as a San Francisco startup, Airbnb has grown into the flag bearer of the "sharing economy" with its "community marketplace for people to list, discover and book unique accommodations around the world—online or from a mobile phone," as stated on the company's website.

Its site beckons users to "rent from people in over 34,000 cities and 192 countries," representing an alternative lodging marketplace whose geographic reach (and estimated market value) rivals some of the largest hotel companies. Airbnb has counted more than 11 million guests making use of its service. A growing number of them are traveling on business, according to corporate expense-reporting giant Concur.

"Every year since 2010, Concur customers' use of Airbnb has quadrupled, and is on track to hit \$1 million in travel spend this quarter," Concur senior manager of social media Lyndsey Patterson wrote in an April blog post. "Granted, this is a small share of Concur's over \$50 billion in annually processed expense reports, but a quick look at the upward trend reveals that Airbnb is not far from reaching multiple percentage points." It's unclear how many of those transactions came from travelers subject to corporate travel

dictates, but the growth points to, at minimum, rising interest from the segment.

"Airbnb comes up, typically from people booking late and trying to find a lower rate where it's high because of demand," said DocuSign global travel and card manager Rick Wakida. "They've done it; I've seen it on the expense side. When it comes through on expenses, that means it's already done. Or, they'll ask me about it, saying, 'The hotels are all \$400; can I do Airbnb?' It's not a lot, but I've started to see it."

Accompanying the rise in demand are warnings from corporations, especially those cautious about their own liabilities, mindful of duty-of-care obligations and seeking support for managed travel programs.



"They're doing business travel for you, so it's your duty of care to make sure the providers and suppliers they're staying at are vetted and have the proper insurance."

—WELLPOINT'S CINDY HESTON

"They're doing business travel for you, so it's your duty of care to make sure the providers and suppliers they're staying at are vetted and have the proper insurance," said WellPoint manager of strategic sourcing for travel Cindy Heston.

Lacking such vetting, a few buyers cited concerns related to travelers staying at an Airbnb-sourced property, questioning whether it is safe, meets corporate standards, is in an acceptable neighborhood—"or if it exists," said Sapient global travel and client experience director Michelle de Costa. "We had someone go, and there wasn't even a place."

That was one among "some bad experiences" Sapient experienced with Airbnb's marketplace. "We wrote it into our policy that they should use, basically, commercially recognized properties, not individuals," de Costa said.

Association of Corporate Travel Executives president and Rio Tinto global category lead for travel and expense management Kurt Knackstedt last year told *BTN*, "There are duty-of-care concerns with such places as the neighborhoods where they might be located, but people are using them on holiday and might want to use them when they are staying for work. And often they are a fraction of the price."

While buyers don't go so far as to claim that Airbnb host properties are downright unsafe, it's difficult to deem the varied accommodations from such a huge marketplace as universally acceptable for employee travel.

CONTINUED ON PAGE 12

CONTINUED FROM PAGE 11

A look at the Global Business Travel Association's standard request-for proposals template for lodging demonstrates the focus buyers place on safety and security. According to the template, buyers vet sanctioned lodging providers on the availability of smoke alarms, sprinklers, emergency exits, deadbolts and security locks in guest rooms, window-locking devices, security video surveillance in common areas, emergency back-up generators and on-site security personnel, among many other attributes.

While industry lawyer and corporate travel consultant John Caldwell noted that "overall, any direct booking tools that take the employer out of the loop pose duty-of-care risks," corporate risk is heightened "especially when the company knows they are out there and being used."

So, what's a company to do?

"Prohibition is one tool," Caldwell noted, "possibly a signed waiver by employers and/or opt-out notices that are on the websites, that any employees going outside the program assume their own risks. However, that might not prove very insulating if a family sues and claims the employer knew or should have known and did little to warn and protect employees."

Outright prohibition was the tack taken by PricewaterhouseCoopers. "Specific to Airbnb, we ban that from usage—too much concern around liability," said director of travel and meetings operations Lauren Lee. "We're not likely to know where the traveler is, but secondly we don't know the background or anything about the owner of that space where the traveler is staying."

Some hoteliers, whose lodging demand Airbnb is attempting to clip, have joined the chorus, pointing to regulations that hold established hotel companies to higher safety and security standards than those required of short-term rental properties.

While InterContinental Hotels Group CEO Richard Solomons this month said that "the sharing economy is here and here to stay," he also challenged lopsided standards.

"If there are new aspects that are not treated the same way, and there isn't a level playing field, that concerns me," he said. "We're quite a regulated industry. If you stay in a hotel, there are things you can expect in terms of safety."

Despite buyers' and hoteliers' wariness, Duetto Research co-founder and CEO Patrick Bosworth sees an opening for Airbnb in the corporate realm, especially if the "open booking" concept is adopted in any meaningful way. For example, if travelers were beholden more to travel budgets than specific policies and suppliers, Airbnb could be a more affordable option, especially at peak demand periods.

"Particularly for a company with a lot of young people," he said, "if you have three people traveling to New York City and they can get a three-bedroom apartment for \$500 to \$600 a night versus spending \$400 a night per person, they don't mind staying in a residence."

Bosworth, meanwhile, pointed to Airbnb's hiring of Joie de Vivre hotels founder Chip Conley as head of hospitality as a segue "to solve some of the issues, like looking at duty of care," fire codes and other "things that corporations need to ensure."

While Airbnb did not respond to an interview request to discuss any pivot to the managed travel sector, the company has taken modest steps to address safety. For example, Airbnb noted on its website that by year-end, "we'd like" U.S. Airbnb hosts to have smoke and carbon monoxide detectors in their properties, and is providing them smoke detectors free of charge.

Airbnb also encourages, but by no means mandates, hosts to make available to guests an "emergency safety card" that lists emergency numbers, exit routes and "other resources."

"To me, Airbnb can become a true competitor of hotels and become as big as their valuation suggests," said Bosworth. (The company has a roughly \$10 billion market valuation, according to estimates.) "The only way they'll hit that is by nailing the business traveler market. I'm real bullish on the under-40 crowd jumping into Airbnb in a big way."

STEERING CLEAR

Another buzzed-about company that has challenged corporate travel policies, popular mobile application Uber enables travelers to use smartphones to hail ground transportation on demand. Like Airbnb, the company continues to grow at a rapid pace, already expanding to more than 70 cities in the United States and abroad since its 2009 launch. Uber's mobile application has multiple modules that enable pick-up requests for commercially licensed and insured chauffeurs or taxis in some locales.

Yet, perhaps most worrying to corporate risk management departments, the company's "peer-to-peer" UberX service relies on individual drivers who drive personal vehicles and operate on personal insurance policies. That service is similar to those of such other peer-to-peer transportation facilitators as Lyft.

Recent headlines this month alone—"Cops: Uber driver kidnapped drunk woman" from *USA Today* and "Uber driver accused of punching passenger in San Francisco" from the *Los Angeles Times*—no doubt feed into corporate caution.

As with Airbnb, some companies prohibit Uber.

Asked if there are any mobile applications its travel policy prohibits, Coca-Cola director of procurement Pam McTeer said, "Uber is one that we're forbidding." She cited as a key reason the "safety as a traveler," adding that "it's about the insurance issue and the lack of background checks."

Advisory Board Co. travel buyer Steven Mandelbaum also cited insurance and background checks as two key reasons Uber warrants caution.

While Uber stresses that it subjects drivers to background checks, corporations relinquish a degree of control and visibility into the process.

Just as they do with prospective hotel suppliers, many corporate travel buyers thoroughly vet the transportation companies that they deem acceptable for traveler use. According to GBTA's request-for-proposals template for ground transportation, potential suppliers are asked to specify standards related to driver background checks and training. The template even solicits information related to the "dress code and grooming policy" companies expect of drivers. Additionally, corporate clients examine insurance coverage of potential preferred ground suppliers, in some cases requesting bidders supply copies of policies from insurance providers. They also vet the make, model and year of vehicles, in some cases to gauge the safety of a prospective supplier's fleet.

Despite corporate wariness, Uber this year claimed to have toughened driver-vetting standards and now notes that "all Uber driver partners must go through a rigorous background check" that includes motor ve-

hicle records, sex offender registries, "violent crimes, sexual offenses or felonies in the past seven years," and other sources of information. Uber claimed its checks are "often more rigorous than what is required to become a taxi driver." Uber did not respond to multiple requests for an interview.

CAN'T BEAT THEM? BUILD YOUR OWN

While hesitant to use Uber, some buyers recognize the value of the mobile application's on-demand car service model. PricewaterhouseCoopers even has borrowed the Uber concept and reshaped it to conform to the contours of its corporate travel program.

"We were looking for that Uber-like experience for our travelers," said Lee, "but also at the same time we wanted to manage it in a way where they're only using preferred suppliers."

Seeking to "co-develop this solution for us based on our requirements," PwC worked with Zypsee, now operating as Whisk, to build its own corporate-friendly Uber.

"It is only in New York, but it is exactly like the Uber experience," Lee said. "I've tried it myself, but what is really beautiful for us is that it is only showing our preferred suppliers. That way we're managing our spend as part of our managed travel program and getting the appropriate discount, but also the safety factor: They're all insured, and they've gone through all of our specifications. We really think it's the solution for our marketplace."



"Uber is one that we're forbidding. ... [because of] safety as a traveler. It's about the insurance issue and the lack of background checks."

—COCA-COLA'S PAM McTEER

The PwC application shows real-time, on-demand inventory from four preferred ground transportation suppliers in the city.

Others, too, are working to fit the Uber model into a more corporate-friendly mold.

Chauffeured transportation services provider Marcou Transportation Group, which in the last year acquired major players BostonCoach and Dav El, claims to be "the largest chauffeured transportation platform." As its drivers do not participate in Uber, the company said it is working on "new mobility solutions" that would replicate for the corporate market the on-demand, e-hail technology model, said CEO of the Marcou Transportation Group's Premium Chauffeured Transportation Platform Scott Solombrino in March.

While a few players in the ground automation space have angled offerings to the corporate market, with on-demand ride-hailing applications like RideCharge's Taxi Magic and Sedan Magic, Solombrino claimed that "no one has really succeeded" in challenging Uber's dominance.

"We respect what they've done from the tech side," Solombrino said in March of Uber. "We know we have the ability to compete with that, and we want to join the party because we think Corporate America is dying for that solution."

— Michael B. Baker contributed to this report

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GSA: Concur Has Addressed 'All Major' ETS2 Implementation Concerns

BY JOANN DeLUNA

THE U.S. GENERAL Services Administration confirmed that Concur has addressed "all major concerns" regarding its second-generation E-Gov Travel Service implementation. Concur, which at first won exclusive rights to service the \$1.4 billion, 15-year ETS2 contract but now is sharing it with CWTsatoTravel, has secured 26 task orders representing "62 agencies, components, bureaus and commissions," according to a GSA spokesperson.

"Concur was responsive, all major concerns and elements were addressed," according to an email to *The Beat* from the GSA official, sent this month. "Concur's Corrective Action Plan activity is being closely monitored by GSA."

According to an April 9 email from U.S. Department of the Interior deputy assistant of budget, finance, performance and acquisition Pam Haze (and published by travel news site *Skift*), GSA had requested "immediate action" to address unspecified "system issues" regarding Concur's ETS2 implementation.

As the managing agency for the ETS2 master contract, GSA confirmed that on Feb. 25 it issued a Notice of Concern to Concur regarding its ETS2 service.

In response, Concur "shifted 17 experts from commercial operations to work on federal operations," dedicated "additional resources" and committed

to providing quality assurance staff and additional helpdesk support for DOI travelers, according to Haze's email.

The email didn't specify issues and DOI did not return requests for comment.

"We're in the midst of a standard deployment cycle with a whole set of complex clients," Concur president and COO Rajeev Singh last month told *The Beat*. He declined to elaborate on the specifics of the government's complaint, noting instead that the issues

the Concur system [or] any third-party systems—all work well together to get to an end solution, [and] we feel very good that that's happening right now," Singh continued.

When asked whether the deployment issues would affect Concur's ability to compete for federal task orders against CWTsatoTravel (Carlson Wagonlit Travel's government-focused division), Singh said the decision-making process for federal agencies is similar to that of large, private commercial enterprises.



"These are extraordinarily large, complex deployments. ... Implementation of complex systems with other complex systems are always a bit more complicated than, 'it's this person or that person's fault.'"

—CONCUR PRESIDENT AND COO RAJEEV SINGH

were specific to DOI and that federal deployments were "a bit different" than commercial deployments.

"These are extraordinarily large, complex deployments happening in tandem with other deployments," Singh said. "Implementation of complex systems with other complex systems are always a bit more complicated than, 'it's this person or that person's fault.'"

"What's required for any successful deployment is that everybody involved—whether it's the customers,

"The decision is not made based on anything other than an in-depth evaluation, RFP submission, meeting teams, evaluating technology, talking with reference clients—all of the standard sort of buying procedures that complex entities that are driving large-scale deployments and spending significant amounts of money to drive ROI for their businesses do," Singh said. "That due diligence is a process we're extraordinarily familiar with and also a process that reflects well on our company."

Adelman Travel Focusing On Consulting, New Tech

BY DAVID JONAS

ADELMAN TRAVEL in May laid out a strategy to transform its corporate travel division into a "management solutions company" centered on consulting and new technologies. The travel agency previously formalized a consulting group and is certifying business development managers to be consultants.

"We've expanded our sales organization and increased their responsibilities as part of this strategy," according to a statement from president and COO Steve Cline. Sales personnel "will now consult on a number of items either prior to or during the sales process, including products and configuration, global T&E initiatives or the actual RFP process."

"Over the last decade, we've seen the responsibility for choosing a travel management company migrate from the travel manager position to a company's purchasing department," Cline added. "When we join the bid process, we find this to be true in most instances."

Once a client is secured, Adelman's consultants monitor various key performance indicators.

In terms of tech for multinational clients, the TMC has started using an "international fare aggregator" called Adelman Integrated Fares, and also operates the Global Gateway data consolidation system. According to Cline, the two products are of particular utility in markets where clients don't have agency coverage or use a different TMC.

"Over the past decade, many travel buyers have been engaged in global consolidations with more than one travel management company," Cline added. "They are finding that both the wholly owned travel management companies and the agency networks occasionally have some gaps—not only in service, but in products as well."

Meanwhile, Adelman announced that it's now certified to access Concur's expense platform "to extract data" and help clients better manage program leakage. Concur last year identified Adelman as one of several TMCs using the Concur T&E Cloud platform. The TMC also agreed to resell the Concur Risk Management solution.

NEWSLOG

Egencia To Bring Intelligent Service Platform To Europe

Egencia last month said it would roll out in Europe "in the coming weeks" its Intelligent Service Platform, introduced in the United States in mid-2013 as the basis for new "contextual interactive voice response" for phone calls and online bookings. The company said the proprietary technology immediately displays relevant itineraries, profiles and policies to its agents as soon as a call is received from a recognized telephone number of a traveler or travel arranger. Egencia added that the platform integrates both online and offline bookings and can be used to provide service for amending itineraries, of which more than 20 percent are changed by customers before departure.

ABC Collecting Commissions

ABC Global Services has added a commission collection service for its clients, which include travel management companies and corporate travel departments, the company announced last month. The service, ABC Global CommissionPro, tracks and reconciles hotel commissions and works with hotels to collect commissions that do not come in on their own within 90 days—which account for more than one-third of hotel commissions, according to ABC CEO Eric Altschul.

The service charges only for those commissions it successfully chases down and not for those commissions

that come in without intervention. Agents also can use the service to manage car rental commissions, the company said.

Mayr Joins KesselRun

Former Deltek director of global travel procurement Karoline Mayr joined KesselRun Consulting as a partner, she confirmed this month. *Business Travel News* last year named Mayr its 2013 Travel Manager Of The Year, citing a number of travel management and procurement accomplishments. KesselRun "specializes in developing, managing and optimizing corporate travel programs," according to the firm.

HRG: 'Indisputable' Business-Class Decline Among U.K. Companies

BY AMON COHEN

THE PROPORTION OF flights taken in business class by travelers at HRG's U.K.-based clients in 2013 fell to 10 percent from 12 percent a year earlier, according to the travel management company. After standing at 16 percent in 2010, 2013 was a third successive year that business-class share slipped by 2 percentage points. During that time, the percentage of flights taken in economy cabins increased to 89 percent from 83 percent while use of premium economy remained at 1 percent.

The shift has been caused by a continuing hemorrhage of passengers sitting in business class on short-haul flights. The percentage of business-class bookings on short-haul flights from the United Kingdom declined 35 percent year over year in 2013. The biggest such decrease was a 61 percent drop in business-class bookings on flights to Sweden, followed by a 43 percent drop in such bookings on flights to the Netherlands and a 42 percent reduction on flights to Norway.

HRG also noted some major changes in fare classes, reporting that 30 percent of its U.K. clients in 2013

adapted their travel policies to encourage more use of restrictive fares. Consequently, 30 percent of ticket purchases for flights of less than four hours were fully flexible fares, down from 38 percent in 2012. For intercontinental business-class bookings, the proportion of discounted and restricted fares rose

to 57 percent from 49 percent in 2012. In economy class, the use of restricted tickets climbed to 65 percent from 61 percent. However, sales of the cheapest, most restricted fares remained flat, indicating "smart buying by travelers

HRG also noted some major changes in fare classes, reporting that 30 percent of its U.K. clients in 2013 adapted their travel policies to encourage more use of restrictive fares.

where the sweet spot of savings and flexibility has been identified," according to HRG.

The price difference between fully flexible and restricted tickets was more pronounced in business class than in economy. In business class, the average price per sector for long-haul flights was £1,851, with a 17 percent difference between the average fully flexible and restricted fare. On non-domestic short-haul flights, the average sector price was £384, with a differential of 19 percent. In economy class, the average long-haul sector price was £612, with a differential of 15 percent; on

non-domestic short-haul it was £159, with a differential of 10 percent.

The average business-class fare per transaction (i.e. the fare for the entire trip regardless of number of sectors) from the United Kingdom to all destinations in 2013 climbed to £2,695 from £2,518 a year earlier, a slower rate of growth than in the previous two years. The average premium-economy fare rose to £1,716 from £1,595 and the average economy fare increased to £315 from £305. However, due to the share shift from business class to economy, the overall average price for all tickets purchased by HRG's U.K. customers stayed unchanged.

"Whilst policy changes are still broadly driven by hours flown and destination, it is indisputable that there has been an overall move from business to economy class, and within both classes, a shift towards lower-cost, less flexible fares, as companies look for actionable ways to reduce their corporate spend," according to HRG global client management director Matthew Pancaldi.

Trends are not consistent across all sectors. Business class made a market-share comeback among finance and manufacturing clients, for example.

Another trend is a continuing creep upwards in the proportion of total ticket prices comprised of taxes and surcharges. In 2013, that proportion was 15 percent, compared with 10 percent in 2010.

Taxes and surcharges last year accounted for 24 percent of the average premium-economy fare, up from 17 percent in 2010, and accounted for 26 percent of the average economy fare, up from 21 percent in 2010.



With First Gain In Years, Avis Budget Makes Good On Commercial Pricing Push

BY JAY BOEHMER

FOLLOWING YEARS OF commercial rental rate declines, Avis Budget Group CEO Ronald Nelson last month reported a 2 percent year-over-year rise "in our realized commercial pricing" during the first quarter. Nelson in May 2013 told investors that the company would "have some spine and ask for a rate increase that delivers a profitable account," and a year later that strategy combined with a business mix shift has begun "to bear fruit," he said during an earnings call with analysts and media.

Avis Budget achieved its first com-

mercial gain in years "through rate increases to our existing book of business or through our initiative to shift our mix to more profitable customers and channels," according to Nelson.

Nelson said the shift in Avis Budget's business mix came in part from the rental car operator's efforts to grow in the small-business segment, which saw first-quarter revenue up 8 percent year over year. Such clients generally are subject to higher rental rates than larger accounts.

Nelson expected commercial pricing for the full year to be up 1 percent

from 2013 levels.

The company last month reported a \$4 million net profit for the three months ending March 31, up from a \$46 million loss for the prior-year period.

Revenue rose 10 percent year over year, "primarily due to a 6 percent increase in rental days and the acquisitions of Payless and Zipcar," according to the company.

North American rental car pricing, which includes both commercial and leisure pricing as well as car-sharing subsidiary Zipcar, rose 2 percent year over year.

Dinova: Q1 Restaurant Spending Increases

Restaurant spending by Dinova corporate clients during the first quarter increased 5.2 percent year over year, the network reported last month. The average first-quarter total meal cost increased 2.7 percent to \$52.86. Dinova reported that March showed a "dramatic increase" in corporate dining, with year-over-year transaction volume up 6.7 percent and sales up 8.6 percent.

STR: April U.S. Average Daily Rate Moves Up

The average daily rate at U.S. hotels in April increased 4 percent year over year to \$114.67, STR reported last month. Occupancy increased 3.2 percent to 65.7 percent. STR senior vice president of strategic development Jan Freitag noted that year-over-year U.S. ADR growth has been higher than 3 percent every month since January 2011, and the firm expects "rate growth to continue unabated for the foreseeable future."

TravelClick: Future Hotel Bookings, Rates Rising

Corporate transient hotel booking volume in North American major markets through April 2015 is up 6 percent year over year, and the average daily rate of those bookings is up 3.8 percent, according to the May 2014 TravelClick North American Hospitality Review. Committed group occupancy for that period is up 4.7 percent, and ADR is up 0.7 percent. TravelClick based its data on reservations and group sales commitments as of April 27 in 25 North American markets.

U.K.'s GTMC Reports Higher Q1 Bookings

First-quarter airline bookings handled by members of the United Kingdom's Guild of Travel Management Companies increased 4 percent year over year, marking the fourth consecutive quarter of an increase in such transactions. Hotel, rail and car rental transactions each grew more sharply year over year—up 12 percent, 10 percent and 17 percent respectively. GTMC members claim to handle among them 80 percent of U.K. managed travel.

TMC Services: From Regional To Global And Now Back Again

BY AMON COHEN

PREVAILING ORTHODOXY dictates that global travel programs consolidate with global service providers, especially travel management companies. However, evidence suggests this to an extent may be changing.

Hogg Robinson Group, for example, shared with *The Beat* its estimate that 30 percent of requests

for proposals for global TMC services end instead with regional selections. HRG group commercial director Stewart Harvey said corporate client sectors in which he has observed this trend include automotive, fast-moving consumer goods, technology, engineering and finance.

Other sources around the industry said they are seeing some buyers shift away from global TMC arrangements, opting instead for a best-in-region approach. Reasons include mounting skepticism that a single TMC consistently can offer excellent worldwide service as travel programs cover a growing number of markets; devolution of decision-making within global companies to regional organizations; improving technology that enables one of a travel program's TMCs to serve as a primary aggregator of data from the others; and a rebalancing of power to employee need from employer need.

It's not a universal observation. "We're not seeing that," said Vicky Fernandez, Carlson Wagonlit Travel senior vice president for Benelux and EMEA product marketing. "In general, companies that procure centrally and globally don't want to procure regionally, giving them more than one service level agreement to manage."

Nomura, though, is one company that this year moved to a regional arrangement. The financial services firm decided not to conduct a new global TMC request for proposals after the three-year contract with its global provider ended. "We've opted for a separate service in different parts of the world," said head of EMEA corporate travel Carol Neil. "We found, especially in Asia, that a global TMC could not meet all the service requirement idiosyncrasies of some countries. We decided using a local TMC would pro-

vide a more high-touch service. We didn't think we could find a TMC that is sufficiently set up for a true global offering, either in terms of technology or data."

Many other travel program leaders doubt that any TMC truly can deliver globally. This skepticism was a crucial factor in a decision by engineering conglomerate ABB to choose regional over global when recently evaluating both options. "TMCs don't deliver the same services in each region.

They don't have the same processes," said Michael Flueck, global category leader for travel and meetings. Flueck acknowledged that using different TMCs in different regions requires

data consolidation either through an internal system or a third-party provider, but he said that if his company used a single TMC, "I would still have problems. Data is a weak point for them." Flueck blamed TMCs' use of partners and franchisees—rather than wholly owned offices in many mar-

Volvo Group manages travel spending across 25 countries. It used a global TMC until 10 years ago, and successive reviews have not changed the vehicle and equipment manufacturer's decision to go market by market. "One of the common questions in internal meetings regarding travel is, 'Why don't we have one global TMC?'" said strategic purchasing manager Stephan Hylander. "We have analyzed it back and forth but it comes to the same answer, and I see the same trend among other companies.

"There are two reasons," Hylander continued. "The first is that TMCs have one global brand but different performance and service levels in different countries. They do not act in a harmonized way. Even the financial offer is made country by country, and [the pricing] in a country where we have less volume does not reflect the fact we have more volume with the same TMC elsewhere.

"The second and most important reason is that we do not want to be dependent on one supplier," he said. "We

from India to the U.S. for six months or a year; they're doing a lot of travel in the United States and it doesn't make sense to go back to India, so we build a secondary profile for them. There's just a lot of mechanics to making it work; none of the TMCs are truly global."

Noting that agencies' mid- and back-office tools often differ by country, Reed Elsevier director of global travel services Jim Sisco said, "It's mind-boggling, the limitations that are put on us in certain countries even though we contract globally."

CWT's Fernandez rejected the notion that global travel management companies provide second-best local service delivery. "Providing a global travel program doesn't mean to say we offer the same everywhere, but it does mean we can offer service through 350 offices," she said. "You need to understand how to act locally but that isn't in contradiction with being a global TMC." Fernandez also argued that global TMCs "have the ability to attract and develop highly skilled talent" and appeal to multinational customers because of their financial solidity.

Operations in about 45 of the 150-odd countries in which CWT is present are wholly owned, but Fernandez said lack of total ownership is no obstacle to consistent service. "We manage our partners with strict contractual agreements," she said. "It is in their interest to comply so they can continue to receive CWT's business. Data reporting is the same wherever you are with CWT."

Both HRG and Radius Travel take a more nuanced view, arguing that diversified technology requirements in different geographies have led some clients to reconsider whether a single TMC is necessary.

"Some clients are deciding they don't need to strive for uniformity by having the same supplier in every market because there is no uniformity," Harvey said. He noted that a trend toward TMC globalization started in earnest about a decade ago but has tacked back toward regional awards during the past two years.

Radius head of global sales for EMEA and Asia/Pacific Rafael Gonzalez cited China, where, he said, 80 percent of travel is domestic and TMCs therefore must meet the unique marketplace requirements. Bookings are not made through Western GDSs and,



"We want the freedom to switch to another TMC if it is not performing. The value of a diversified TMC strategy is greater than the value of a potentially more efficient data collection process."

—VOLVO'S STEPHAN HYLANDER

kets—which use different back-office and mid-office systems.

Even where local operations are wholly owned, technology platforms may not align.

"One would think that larger agencies would invest in backbone technology that would give them that scale," said Steven Mandelbaum, vice president of information systems at The Advisory Board Co. "But as it turns out, they are not in a better position to serve anyone than a smaller agency. It's this bizarre circumstance, because they are all using someone else's technology in different ways for different people. TMCs are beholden to their suppliers. Nobody has real core technology that allows them to control their platform."

want the freedom to switch to another TMC if it is not performing. The value of a diversified TMC strategy is greater than the value of a potentially more efficient data collection process."

Others shared similar sentiments.

"From the RFP all the way through, each country is treated as a separate entity," said Sapient global travel and client experience director Michelle de Costa. "So even though it's a multinational RFP or a global RFP, each country has separate pricing. It's like doing—in my case—14 different RFPs. When you are being serviced by that agency, if you are based in Germany everything you do has to go back to Germany—if you want to change, etc. Everything in the lifecycle of that traveler goes back. We bring in people

thanks to a simpler distribution infrastructure, the country is forging ahead of the West when it comes to mobile reservations. "Response times are one to five seconds, but if you can't offer technology that quick, travelers won't go through that channel," said Gonzalez. "They are ahead of the game in China, so if Asia is a key driver for your travel program, then those kinds of requirements at a local level really have to be taken into consideration."

Many have cited the extension of managed travel programs into Asia, a far more diverse region than Europe or North America, as a primary reason for the trend toward regional travel management company choices.

Paradoxically, true travel program globalization seems to be pushing some companies toward decentralized selection of service providers. "Five years ago, we focused on our top 10 markets, covering 70 percent of our spend, but today senior management wants 100 percent covered," said ABB's Flueck. "Especially in Asia, you need to get buy-in from countries which weren't managed in the past. If

you select at a regional level, you get a much stronger buy-in."

Gonzalez agreed. "Historically, [you only had to worry about] one key contact, 90 percent of the time based in the U.S., but the growth of these other markets means you have to take the



"From the request for proposals all the way through, each country is treated as a separate entity. ... There's just a lot of mechanics to making it work; none of the TMCs are truly global."

—SAPIEN'S MICHELLE DE COSTA

other regions into greater consideration," he said. "Regionally based travel managers are having more of a say in the TMC selection process."

Likewise, Harvey said that "spend is shifting toward areas where companies are expecting higher future growth. That means companies are devolving to regional power bases, and that

means senior management is more likely to be on the ground in the regions. Travel management is following that same structure."

Alongside this geographic decentralization of power, some travel professionals discern a related depri-

acceleration of mobile technology.

Some, including Areka Consulting U.K. director Carol Randall, believe that recalibration is resulting in more localized decision-making and is one of the reasons several of her clients moved to regional TMC contracts from global. "Travelers are demanding more, and they are now regarded internally as customers," she said. "The role of travel managers is becoming more to give travelers what they want, otherwise they fear they will lose them out of the program."

If global travel management company selection really is falling out of favor, where does that leave those TMCs that have gone to great lengths to market themselves as global service providers? "It could be a threat, but I see it as an opportunity," said HRG's Harvey. "Half of our top 20 clients started with us in one country. We have to park the idealism and PR sales message and adjust to the regionalization that is becoming part of our clients' culture rather than the globalization that is reflective of TMCs' aspirations." 

—David Jonas contributed to this report.

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Hotel Execs Forecast Corporate Rate Hikes, Refute Consolidation Chatter

BY MICHAEL B. BAKER

New York - Corporate travel buyers should brace for another round of tough negotiations and rate increases in the upcoming request-for-proposals season, with hotels in an even stronger position than they were this time last year, several hotel executives said this month at the New York University International Hospitality Industry Investment Conference.

Marriott International president and CEO Arne Sorenson was unequivocal about the company's intent to increase negotiated corporate rates when talks begin later this year. "We have another year where occupancy is growing from already record levels," he said. "We have many months ahead of us, and you can't take anything for granted, but I suspect most people will go into those negotiations knowing that rates are going up."

Four Seasons Hotels & Resorts president and CEO J. Allen Smith concurred, though he said hotels would not push for unreasonable rate increases.

"The corporate clients are incredibly important to all of us," Smith said. "All

of us would think of them as partners, and we need to treat them fairly in periods of time when we have leverage, as we hope they would treat us fairly when the leverage favors them."

InterContinental Hotels Group CEO Richard Solomons added that although



"All of us would think of [corporate clients] as partners, and we need to treat them fairly in periods when we have leverage, as we hope they would treat us fairly when the leverage favors them."

—FOUR SEASONS CEO J. ALLEN SMITH

the industry is in a "great place," it remains competitive, and weaker hotel brands or those without solid distribution strategies would struggle more to increase rates. "We're seeing more and more winners and losers in this industry," he said.

Loews Hotels & Resorts chairman

Jonathan Tisch said his company also has successfully pushed up group rates, particularly in Miami and Orlando. STR president and COO Amanda Hite said group rates negotiated today for events in 2015 and 2016 are showing "pretty good" increases.

least staved off the threat of a U.S. federal government shutdown, which gives a boost to the U.S. economic outlook.

The executives also briefly addressed the potential for large-scale consolidation within the industry. In recent weeks, there has been industry chatter and some published speculation about a supposed rejected \$10 billion takeover deal of IHG from an unknown competitor, which some analysts said might have been Starwood Hotels & Resorts.

Solomons said the chatter was based on a "speculative newspaper article," and he and other top executives said industry consolidation was more likely to continue through "organic" consolidation rather than a merger of two big players.

Marriott, for example, has made its share of brand acquisitions in recent years, including Gaylord Hotels and African hotel company Protea. Noting the company would continue to look for such deals, Sorenson said that he didn't "think it's likely the really big players will come together."

"There are big challenges associated with that, like combining substantial rewards platforms," he continued. "We're much better off with some bolt-on brands or starting new brands rather than pulling companies together." ➔

Hilton Adds Upper-Tier Collection To Brand Portfolio

BY MICHAEL B. BAKER

HILTON WORLDWIDE this month launched a new brand called Curio, which will be a collection of upper-tier independent hotels. Five U.S. hotels already have agreed to join the collection during the next few years.

Like Marriott International's Autograph Collection and Choice Hotels International's Ascend Collection, Hilton's Curio will be a "soft brand" of hotels that "can retain their unique identity but also deliver the many benefits of our system, including our Hilton HHonors guest loyalty program," according to Hilton president and CEO Christopher Nassetta. Its first property, the SLS Las Vegas, will open by this coming Labor Day weekend, according to Hilton. The hotel and casino are on the site of the former Sahara Hotel & Resort, which during the past three years has undergone \$415 million in renovations.

Hilton also plans to add to the collection later this year the Sam Houston Hotel in downtown Houston. Next year, it is slated to add Hotel Alex Johnson—a property in downtown Rapid City, S.D., that also will undergo

a multi-million-dollar renovation—and the Franklin Hotel in Chapel Hill, N.C. Hilton also has an agreement signed with an as-yet-unnamed new-build hotel in downtown Portland, Ore., scheduled to be completed in 2016.

Speaking on June 2 at the New York University International Hospitality Industry Investment Conference, Blackstone global head of real estate Jonathan Gray—who also serves as Hilton's board chairman—said the lodging industry in the coming years likely will see more "soft brand" models emerge.

"The customer is wanting a more individualized experience but knowing there's a certain consistency in the distribution and technology, and the merger of that is some of these brands," Gray said. "There will be more boutique introductions that, on the face to the customer, look independent, but the backdrop is powered by one of these larger distribution systems."

Curio is the 11th brand in Hilton's portfolio. During Hilton's first-quarter earnings call last month, Nassetta said Hilton intends to increase that to an even dozen later this year with an upper-tier "lifestyle brand," though he

added that Hilton intends to put it at a slightly lower price point than some of its competitive set.

"Most [of our competitors] have accessed lifestyle at a luxury price point, and we believe there's demand at the upper upscale level," Nassetta said in May. "We'll be able to build a brand that is much bigger than what we have seen others be able to do."

Hilton's entry into the lifestyle hotel space has been in the works for years. Hilton in 2009 attempted to launch a lifestyle brand, Denizen, but was thwarted by a lawsuit from Starwood Hotels & Resorts alleging corporate espionage by two former Starwood executives hired by Hilton to develop the brand. As part of the settlement of that suit, Hilton agreed not to develop a lifestyle brand competitive to Starwood's W brand for a period that ended in January 2013.

Q1 Demand Solid

Meanwhile, executives cited growing corporate transient and group demand as contributors to a strong first quarter. Hilton's group revenue increased 7.4 percent year over year, and transient revenue increased 6 percent, Nas-

setta said during a conference call. It marked the first time "in many quarters" that group growth outpaced transient growth, he added.

Revenues from U.S. corporate transient business increased 6.2 percent year over year in the first quarter and were up 12 percent in March, CFO Kevin Jacobs said. Revenues from corporate meetings at Hilton's owned and managed hotels in the United States were up 12 percent in the quarter.

The average daily rate across Hilton Worldwide's portfolio increased 3.6 percent year over year to \$139.13 during the first quarter. ADR increased between 2 percent and 4 percent at most of Hilton's brands and by a bigger rate at three brands: Embassy Suites (up 5.3 percent to \$146.50), Waldorf Astoria Hotels & Resorts (up 6.5 percent to \$332.21) and Conrad Hotels & Resorts (up 7 percent to \$271.44).

ADR at U.S. hotels increased 3.5 percent to \$134.34, and ADR at non-U.S. hotels was up 3.7 percent to \$159.27 during the quarter.

Hilton's net income for the quarter was \$124 million, compared with \$38 million in the first quarter of 2013. ➔

Interview: Omni Hotels VP Of Sales Tom Faust



Business Travel News: How is corporate transient business running at Omni?

Tom Faust: Every month has shown good growth in volume and rate. You're starting to see more growth in rate than you will in occupancy, because of availability. You can grow occupancy only so much; it's a finite resource. We have to work with our partners on shifts from [last-room availability] to non-LRA or into dynamic pricing. Whereas maybe in the past they were not viewed very favorably, now hotel companies and corporate travelers have to make decisions about what's most important to them. If availability is most important, there is a price that needs to be captured with that. If there's more flexibility, maybe non-LRA or dynamic pricing is a better solution.

Those conversations ebb and flow with market demand, and now, demand is high and supply is slow to catch up, particularly in the full-service segment.

BTN: Are you seeing more accounts accept dynamic pricing agreements?

Faust: We do. If you're looking to maximize availability, the best solution is going to be LRA. If you're trying to maximize the savings, the best solution is non-LRA, because you'll get the best price but the least amount of availability. Dynamic pricing is the best of both worlds. You'll maximize your availability, because you'll get it when [best available rate] is available—and that's nearly always available—and your savings will go as the availability of the hotel goes. In lower-demand periods, your pricing is lower, and in higher-demand periods, it will be higher. There's a solution for everybody, and that's what we talk to our team about: making sure you understand what the client's needs are and offering the best solution for them.

BTN: What about group business?

Faust: Business travel has been strong and continues to recover in terms of both volume and price. Group was lagging that curve, but because of the contracting lead time, group went soft slower, and it seems like group recovers slower than business travel as well. It just takes longer for that segment to recover, but we're seeing strong recovery there as well.

BTN: How much of it is corporate group versus association business?

Faust: Cities like San Francisco, Chicago, New Orleans and Atlanta have long been strong association cities and continue to be, and there are new cities. Nashville has become a huge

Austin, Texas; Rancho Las Palmas in Palm Springs; and the Omni Homestead in Hot Springs, Va. Immediately after that, we acquired the Omni King Edward in Toronto, which is downtown in the heart of the financial district. In late September, we opened Omni Nashville, which was 800 rooms and 80,000 square feet of space, across the street from the 1.2-million-sq.-ft. Music City Center, the new convention center. In early January, we acquired the Omni Scottsdale Resort at Montelucia, a spectacular resort at the foot of Camelback Mountain. At the same time, we reopened Omni Amelia Island [Fla.] Plantation Resort in April 2013, after a \$90 million reimagining that included about 150 additional

rooms to look for those things and in those markets where we'd like to have additional representation. We could have additional hotels in Chicago, San Francisco, Los Angeles and New York—those are all markets that would support multiple Omnis.

BTN: Have you added to your sales team as a result of that growth?

Faust: We've added in the last year people on the group side, and one on the leisure side of global sales, the first leisure global sales person we've had.

BTN: What is Omni's participation in the Global Hotel Alliance bringing?

Faust: [GHA] continues to grow, and we continue to add brands. As a matter of fact, we added a couple brands here recently [Oslo-based Thon Hotels and Helsinki-based GLO Hotels]. Those brands are like ours, in that they're well-known regionally but less so internationally, so it's given us a tool to compete effectively with the large multinational brands. You have this loyalty program that joins all the Global Hotel Alliance hotels, and travelers in Europe now want to stay at Global Hotel Alliance hotels in North America and vice versa. Omni travelers want to choose Kempinski in Europe, Pan Pacific in Asia or Rydges in Australia because of the loyalty program. It's also given us a global sales force around the world. We have people in London and global sellers in New York who are selling the whole Global Hotel Alliance, and that allows us to participate with other brands and interact with customers, and through the GHA referral system, we can refer business across the [22] member brands. As a result, we've also increased our travel management company partnerships in most cases from regional to global programs, and we've seen a pretty significant uptick in international inbound-U.S. stays in our hotels.

"We have to work with our partners on shifts from [last-room availability] to non-LRA or into dynamic pricing. Whereas maybe in the past they were not viewed very favorably, now hotel companies and corporate travelers have to make decisions about what's most important."

destination—a lot because of our new hotel and the convention center, where they have the facilities to do it now—and Dallas, because of our new hotel at the convention center. The associations tend to every year do what they do, and they're more predictable. A lot of the growth we're seeing in the corporate segment, and they don't do the same thing every year. We're also seeing growth in incentives. Part of that is our acquisition of six new resorts, so we're seeing an uptick in that market as well.

BTN: How have those new resorts fit into the Omni portfolio?

Faust: You've got La Costa in Carlsbad, Calif.; Grove Park Inn in Asheville, N.C.; the Omni Barton Creek in

guest rooms and 20,000 square feet of meeting space. All the resorts are doing very well. The change to having the brand and global sales force supporting them made a significant difference.

BTN: Does Omni plan to continue to grow at that pace?

Faust: We added nine hotels last year, which is the most we've ever added in the history of our company. Our growth is going to be situational. We're not a public company, so we don't have to grow. We're going to look at where it really fits the brand and is a strategic location for us. These resorts from KSL were a perfect fit, as was the King Edward. They're iconic resorts and properties that reflect the local color of the region that they're in. We'll con-

Cisco Developing Cloud-Based Virtual Meeting Rooms

BY SARAH BEAUCHAMP

SIXTY-SIX PERCENT of the 200 event organizers who participated in Meeting Professionals International's second-quarter Meetings Outlook survey this year indicated they expected a year-over-year increase in virtual attendance. More than half of the respondents indicated their organizations were using virtual and hybrid technology to enhance in-person meetings or incorporate onsite and remote event elements.

Seeing an opportunity for an open, cloud-based virtual meetings platform, Cisco Systems in May announced the development of Collaboration Meeting Rooms, a network of high-tech computers and cloud technology that Cisco claims will host better-quality virtual conferences. At its Cisco Live user conference in San Francisco on May 19, the company introduced two Android-based devices called DX70 and DX80, each consisting of a monitor with touchscreen capability, a high-definition video camera and built-in microphones.

The DX80 includes "intelligent audio," comprising microphones

capable of filtering out background noise. Both the DX80 and DX70 can be "paired" with nearby devices, so users can access their personal contacts and call history.

Videoconferencing technology industrywide in recent years has matured, allowing users to include participants with mobile phones, tablets and desktop browsers in increasingly high-quality multipoint videoconferences through cloud-based software and other systems without traditional bridges.

Collaboration Meeting Rooms utilizes Cisco's WebEx webconferencing technology and allows companies to access their own private "video collaboration space in the cloud," according to

the developer. "To access Skype, you have to have a Skype address, versus Collaboration Meeting Rooms, which is very open and you can pick your entry point," Chris Wiborg, director of marketing for Cisco's collaboration group, told *BTN*. "You can dial into the bridge, but bring along with that video and content-sharing as well. With the cloud, you can access the meeting from any device, and as far as scale, we can have hundreds of users join per collaboration meeting room."

Not yet available to the public, the DX80 will be priced at less than \$2,000 and the DX70 will be less than \$1,000. "Organizations are pressured from a travel budget perspective," Wiborg said. "With Collaboration Meeting Rooms, I can start my day in Europe and then have a meeting in San Jose and then need to talk to people in the Asia/Pacific region, and I can get a ton done in the virtual presence and feel like I'm not missing a beat."

Cisco progressively will roll out the new products this year, according to Wiborg, first in North America in September 2014, and then in Asia soon after that. ➔



Combined Cendyn Arcaneo Unveils Tech Platform

BY SARAH BEAUCHAMP

SIX MONTHS AFTER Cendyn acquired fellow meetings technology provider Arcaneo, the now-combined company last month officially released a strategic meetings management platform.

Development of Metron, a solution that includes functionality for venue research, request-for-proposals management and meetings payment management, began at Arcaneo before Cendyn acquired the company in November 2013. Cendyn also partnered with meeting-planning platform GetPlanning to grow the event management side of the tool. "We just took the opportunity to marry the two organizations and plug in what we thought was missing and add value for our existing customers," Cendyn Arcaneo president Robin Deyo told *BTN*.

With Metron, organizers can access photographs and descriptions of the more than 18,000 properties that currently use Cendyn Arcaneo's tool. "That number is going to go up to 22,000 this summer," Deyo said. In addition, planners with pre-negotiated agreements can keep lists within the



Cendyn's Robin Deyo

platform of preferred suppliers.

Meeting organizers also can submit requests for proposals through Metron, and "the request will come back through the sourcing tool, then whoever wins the business, that information will flow back into the Metron product," Deyo explained. "So, organizers can check in for updates and on the current status of their requests for proposals."

By tracking meeting data, such as total room nights and overall per-meeting spending, Metron can calculate for

each event return-on-investment and return-on-objective figures. "With the platform, we're better able to arrange that data," Deyo said. "One of the goals of the total end-to-end solution is to really focus in on the small meetings market, so we can concentrate more on those transactions," she said. Surveying functionality within Metron lets users collect data concerning attendee engagement and satisfaction.

Most Metron customers so far are *Fortune* 100 companies that were "craving e-surveys and e-insights and the sourcing tool to really round out the platform that we already offered," Deyo said. One unnamed Cendyn Arcaneo client, an international pharmaceutical company, will use Metron—which provides information in 17 languages—to run more than 80,000 events in China each year, Deyo said, ensuring each complies with company meetings policy. "The platform helps them make sure they are keeping a total enterprise view of what their meetings spend is globally," Deyo said.

Pricing is scalable depending on the company's size and needs, according to Deyo. ➔

Cvent Continuing Product Development Investment As Q1 Revenue Increases

BY SARAH BEAUCHAMP

MEETINGS TECHNOLOGY firm Cvent during the first quarter of 2014 continued to invest in its sales and marketing solutions and product development, executives said last month during the company's first-quarter earnings conference call.

"We had a strong start to 2014," said Cvent CEO Reggie Aggarwal, who cited several new strategic meetings management accounts landed in the first quarter, including Gulfstream, Polycom and Protective Life Corp. The company also took on an undisclosed *Fortune* 100 telecommunications client and a *Fortune* 300 hotel company, officials said.

In addition to new clients, Aggarwal said some existing Cvent SMM customers licensed survey and mobile app offerings, including CrowdCompass. Aggarwal in February during Cvent's fourth-quarter earnings call declared the company would increase its investment in SMM and mobile technology.

New mobile app customers signed during the first quarter include Hewlett-Packard and the Choice Hotels Owners Council. "We also continue to cross-sell our CrowdCompass mobile apps to existing event management customers, such as the American Chemistry Council, Grand Canyon University and Alcatel-Lucent," Aggarwal said. In addition, Experian, the Institute of Internal Auditors and Tessco Technologies all renewed CrowdCompass subscriptions during the quarter.

Other clients Cvent renewed or with which it expanded relationships include Illumina, the American Quilter's Society and Tableau Software. Among new platform subscribers are Plexus Worldwide, the University of Southern California and Wasserman Media.

Cvent reported \$31.4 million in first-quarter revenue, up 29 percent from 2013. The company reported first-quarter net income of more than \$1.6 million, up from \$310,000 in the year-prior period.

Cvent anticipates second-quarter revenue in the range of \$33.3 million to \$33.7 million, and full-year revenue for 2014 in the range of \$138.7 million to \$140.3 million, which would represent an approximately 25 percent increase from 2013 levels. ➔

Consumer Electronics Firm Uses Feedback To Improve Attendee Experience, Retention

BY SARAH BEAUCHAMP

THE GOAL OF most meetings is to make sure attendees walk away with valuable information and, sometimes, industry connections. In the process, most meeting planners would like to see attendees enjoy themselves as well, particularly if those attendees are clients or prospects. With recent advances in event technology, organizers are beginning to appreciate meetings apps and other tools as methods to enhance the delegate experience.

In order to satisfy attendees, it's important for planners to stay connected with them, listen to what they have to say and adjust programs accordingly. This is exactly what consumer electronics company Almo Corp. did when it implemented SMM technology that allowed it to create robust and personalized attendee profiles and automated pre- and post-event attendee surveys.

"Any time you can assess feedback pre- or post-event, you're going to be able to enhance that experience," said Almo vice president of marketing Melody Craigmyle. "Having a complete profile of a person with survey feedback, including what sessions they have attended, integrated with Salesforce, allows us to feed more detailed information into our system about the customer, and we're sharing that information in real time with our sales representatives."

Craigmyle and her team are responsible for managing Almo's E4 AV Tour, an annual series of four one-day events for professionals in the audiovisual industry. Each year the tour changes locations, the events moving to different destinations in the United States.



"We first started out doing registration using a homegrown program, very rudimentary, on the website," Craigmyle said. "Then we decided we needed to get more information about the people who were attending these events." A year and a half after launching the tour, Almo deployed its SMM software integrated with Salesforce. "Now salespeople have insight into whether their clients attended certain events, and they have a profile of the customer that's more insightful."

Almo conducts a survey prior to each event, asking delegates why they are attending and which portion of the event is most important to them. "We start out by asking what their relationship is to Almo, and whether or not they are a reseller, a partner or an end-user consultant," Craigmyle said. "Right off the bat, we have an idea of our new prospects."

The company also partnered with lead management software company Capture

Technologies to implement a system that allows attendees to scan a barcode and receive their badges at kiosks, and to scan into each individual education session. "There's no need for manual check-ins," Craigmyle said. "It's streamlined the process. Now we know the specific courses each individual attends. That's been very enlightening for us."

Craigmyle also has observed that attendee feedback varies according to the different regions in which the E4 events are held. "For example, in Washington D.C., we noticed how government policy may be influencing what kind of education content attendees want, so we pay attention to those correlations and give them what they want," she said. At those events, Almo has started to include more sessions concerning how legislation is affecting aspects of the audiovisual industry.

Almo also has relocated events based on attendee feedback. For its Chicago

events, the organization reported a 30 percent increase in attendance year over year just by moving the meeting to a suburban area per attendees' requests. About three years ago, Almo also moved one annual event previously held in Times Square to the New Jersey Meadowlands, making the commute easier for attendees. As a result of the relocation, the company noticed delegates were spending more time at the meeting.

"Survey tools are a key part of allowing us to grow our program and understand regional needs and different location preferences and overall make it a really good experience," Craigmyle said.

Using survey insights, Almo has managed to significantly enhance its event experiences. For instance, attendees have reported that the number-one reason they attend E4 events is the product expos. This prompted Almo to place more attention on that portion of the conference, dedicating more marketing materials to the expos. "We're focused with our partners on enhancing that experience," Craigmyle said.

In addition to surveys, attendees are able to rate individual education sessions. As a result, Almo made adjustments to its educational content at meetings. "We've used [attendee feedback] to change our curriculum," Craigmyle said. "Some courses scored not as good as others, so we've used the feedback to change up instructors or change programs."

In fact, feedback has helped Almo improve its programming so much that after its last E4 event in Dallas, 100 percent of attendees said they wanted to return for the meeting. "I was blown away by the statistic," Craigmyle said. Plus, 96 percent of attendees said they'd recommend the event to a colleague. "We continue to make improvements based on what customers say."

Craigmyle said she provides incentives for attendees to fill out the surveys. "We've always found that if you offer people a little something for taking the survey, you'll see a higher response rate," she said. "We've offered everything from Starbucks gift cards to notebooks and backpacks." Craigmyle also makes sure to keep the surveys short and straightforward, adjusting them for each meeting. "Although we're evaluating data points, we're making sure the experience is easy," she said. "People like giving opinions, so we phrase it like 'Give us your opinion.' "

NEWSLOG

Amadeus To Launch New Meetings Platform

Travel technology provider **Amadeus** last month announced the development of a new meetings platform. Amadeus Corporate Suite, which the company plans to launch in the third quarter of 2014 in the United Kingdom, Belgium, the Netherlands, Luxembourg, France and Spain, calculates total cost per meeting and compares alternatives, such as videoconferencing, to find the most efficient options. The suite provides three options per meeting, including time and location suggestions. "The tool extracts any information relevant to the traveler, per their [meetings] profile information," Amadeus head of corporations and

resellers Florian Tinnus told *BTN*. Profiles include the time and location of the meeting, public airfares, ground transportation options and other travel-related expenses. "With this data, we are able to do a pricing and scheduling search, while at the same time taking into account the travel policy of the corporation," Tinnus said. He added that the suite is "designed to be flexible and scalable to integrate content in the future."

Star Enhances Mtg. Product

Star Alliance updated its Conventions Plus meetings product to offer a wider range of discounted fares, among other

changes, the alliance announced last month. The alliance now offers delegates discounted fares in more booking classes and eliminates fees for bookings through its dedicated online tool. Star Alliance also now offers a simplified event contracting system that streamlines the request-for-proposals process, and now allows event organizers to accrue credit for each delegate booked through Star's online platform, which then can be applied to their own travel costs, according to the alliance. Conventions must include a minimum of 500 delegates attending from at least three countries and two continents to qualify for Conventions Plus.

First Hotel Chain Live In Concur TripLink, While New TMC Options Coming

BY DAVID JONAS

INTERCONTINENTAL Hotels Group last month began listing on its website the rates negotiated by companies that also use Concur's TripLink open-booking service. IHG follows Avis Budget Group as the first supplier participants active in the program. Starwood Hotels and Resorts and Marriott International are next in Concur's queue. Meanwhile, Concur said it's developing simpler means for travel management companies to service TripLink transactions.

The initial process is being used by the three TMCs that are certified to use Concur's TripLink application programming interface: Gant Travel, TravelSolutions By Campbell and Christopherson Business Travel, according to Concur vice president of supplier and TMC services Mike Koetting. He acknowledged that the process is complicated, but said it "has the most opportunity for customization and flexibility, wherein the TMC writes to our platform directly via our API, consumes those transactions and integrates them with the various TMC systems all by themselves."

Koetting said TMCs looking to be a bit more "hands off" will find the new options—expected by year-end—easier to use. On one of the two new paths, Concur would bring TripLink transactions into the Compleat mid-office system (which went to Concur as part of its acquisition of GDSX). "Furthermore, we will be releasing a back-office exporter capability that will automatically push these TripLink transactions into the client back office," Koetting explained.

The third option would make use of third-party technology written to Concur's platform. "One example of that would be an initiative we are pursuing with Cornerstone and their ResMarker Connect product," he said. "Hopefully that will include other third-party TMC technology providers that can connect to our platform ... to deliver that service to TMCs in a very turnkey fashion."

Clearing Air On Participation

During presentations last month as part of Concur's user conference in New Orleans, CEO Steve Singh announced that Marriott and Starwood "joined the Concur platform with deep integration across TripLink." He also suggested that direct corporate booking with La Quinta Inns & Suites now is possible, and that TripLink now comprises "just over 45 percent of all the hotel content

our customers book."

Koetting clarified that among hotel chains, only IHG now is live in TripLink, and the 45 percent figure includes Marriott and Starwood. "You'll see Starwood go live in a matter of months, and you'll see Marriott go live before the end of the year," he said.

Marriott, Starwood, IHG and La Quinta each were among suppliers that Concur nearly two years ago announced as interested parties. When asked why it took two years to go from an expression of interest to a commitment, Koetting said, "It's a very deep dive for these suppliers to evaluate the level of client interest, what is the magnitude of development that would be required, and talking to their own

you are booking we may not be able to tell you that you should book this [rate or supplier] instead, but when you book it and it gets back into Concur, we'll tell you, 'Here are the three other options you had that would have been preferred options within your managed travel program.' " In April, Singh said that "with time, we'll be able to influence and direct that booking so that it absolutely no matter what follows the rules and policies of that company."

Koetting said that would be accomplished by "evaluating the cost of that booking and supplier choice once it is back in Concur." He said Concur then could provide feedback to travelers on whether they beat price benchmarks. "There is a whole rules structure that a



"It's a very deep dive for these suppliers to evaluate the level of client interest [in TripLink], the magnitude of development that would be required, and talking to their own salespeople, TMCs and clients."

—CONCUR'S MIKE KOETTING

salespeople, TMCs and clients. It's a fairly complex IT development effort for suppliers to implement TripLink."

Singh also alluded to participation by airlines, though none has been disclosed. Koetting offered a similar explanation as to why: "In our discussions with all the suppliers, those suppliers very carefully look at technology resources required, customer interest, etc. We feel confident that all travel supplier types will be engaging in TripLink."

Meanwhile, when asked about the 1,000 TripLink customers referenced in late April during Concur's earnings calls, Koetting said those customers "likely" are using certain TripLink components, including the ability to send emailed itineraries to Concur and using TripIt Pro. "They will have additional capabilities as suppliers come online," he added.

Concur also has claimed that TripLink can provide all the controls and safeguards that managed travel professionals expect in designated channels, though by its nature TripLink can provide those only reactively.

In January during a *BTN* interview, Singh acknowledged that "at the time

travel manager can apply through Concur Travel as well as bookings through Concur TripLink," Koetting added.

On the benchmarks, he was referring to a forthcoming TripLink feature called Price To Beat. It's essentially about providing price targets for travelers to consider when they book travel, and feeds into a gamification element that rewards travelers for beating those benchmarks. "We are introducing big data things," said Concur executive vice president Mike Hilton last month during a presentation. "Price To Beat is a very complicated calculation based on a lot of data we collect and real-time pricing information." Price To Beat was designed with Google, which has had such a program in place for six years.

Concur To Integrate TripBam

Meanwhile, Concur signed an agreement to integrate with hotel shopping tool tripBam.

When the integration is complete—expected to occur in the third quarter of this year—Concur clients will be able to have hotel bookings automatically shopped by tripBam, according to tripBam CEO and founder Steve

Reynolds. TripBam regularly searches for rates at the booked hotel and a selected cluster of surrounding hotels and automatically makes a booking that a traveler can approve or reject when a better rate comes along. Either tripBam or the Concur client's travel management company can fulfill that reservation.

Through Concur, users would be able to choose how those clusters are developed, Reynolds said. Generally, other properties with which the client has negotiated rates would be loaded in first, followed by properties in preferred chains. Companies also can opt to allow travelers to modify their own clusters, though companies "mostly don't allow that to happen," Reynolds said. Users also could opt to monitor rates at only the booked hotel.

When the integration is complete, tripBam also will integrate with Concur's TripLink open-booking service and TripIt, he added.

"Improving hotel attachment has gotten most of the interest on the Concur side," Reynolds said. "They can capture those out-of-program bookings and also bring travelers back into the fold by finding better deals than they can find on their own."

In addition to Concur, Reynolds said four of the top 10 TMCs in North America during the first quarter of this year have embarked on pilot programs with tripBam, though he would not identify them.

New And Enhanced Products

Concur made several other announcements during its conference, including news on product and service enhancements, another investment from its Perfect Trip Fund and a strategic alliance with IBM as that company winds down operations of its Global Expense Reporting Solutions as a standalone product (see story, page 4).

- A new offering to be made available next quarter, Concur Insight provides business intelligence and analytics. "It's very dashboard-driven and tailored to your role in the company," Hilton explained. He added that the product can display not only data collected by Concur, but also a client's budgeting data, for example. Users can configure Concur Insight to notify them when spending crosses a preset threshold, when possible fraud is detected or for other events. Concur president and COO Raj Singh noted that the tool will be powered by the TravelTrax reporting tool that came over as part of Concur's acquisition of TRX.

- Raj Singh also said that the company

CONTINUED ON PAGE 23

Cornerstone Targets Direct Corporate Clients With New Business Intelligence Platform

BY DAVID JONAS

STANDOUT CORPORATE travel technologist Rock Blanco created the iBank data reporting tool and in 2000 sold it to Cornerstone Information Systems. He rejoined Cornerstone in April 2013 as senior vice president of product innovation and since has focused on improving iBank's user experience. Cornerstone in late April unveiled one of his latest toys, an iBank business intelligence and scoring platform.

Some of this relates to Cornerstone's push to appeal more to end-user corporate clients, in addition to its traditional corporate travel management company clientele. These developments coincide with Cornerstone's move to create an internal innovation division, announced last month, including Blanco and company founder Mat Orrego, who as a result passed his duties as president to COO Ron Childress. Orrego remains CEO of the company.

"I am doing my best to address the why instead of the what and the how," Blanco said. "It's about taking the way we manage information and putting it into context."

Cornerstone in March did a soft release of the iBank Business Intelligence product, which is built around the QlikView data analytics engine (developed by BI firm Qlik) and uses HTML5 to optimize both desktop and tablet displays. Formally launched in May at Cornerstone's user conference and demoed for *The Beat*, it includes about 380 key performance indicators and other metrics that can be sliced, diced, drilled and manipulated in many ways.

iBank BI covers all the typical metrics monitored by travel management professionals—and many others. Some KPIs relate to savings analysis, policy and program performance, fees, the impact of ticket exchanges and carbon emissions. Traveler wear and tear is measured by the amount of time spent in flight and the number of red-eye and weekend flights taken.

Corporate TMC users, meanwhile, can monitor account performance.

The product provides benchmarking, currently encompassing data on all clients serviced by a user's TMC. Cornerstone senior vice president of marketing and sales Alan Minton said once some contractual issues are sorted out, benchmarks will be expanded to account for all client data within the iBank database.

Displayed data can be filtered by trip type, length and destination; specific



Cornerstone's Rock Blanco

suppliers; a company's divisions and individual employees; class of service and many other criteria. The user interface allows easy management of data filters.

Dashboard navigation includes drop-down lists, collapsible windows, tables and graphical displays of all sorts.

Other features allow users to export to Excel just about any information or displays from the BI platform, create bookmarks quickly to review data for which specific filters have been applied, insert notes to highlight particular areas of interest, design their own reports on the fly, create dynamic "storyboards" onto which specific displayed data can be dragged and described, and auto-

matically build PowerPoint slide decks. A nifty email feature enables users easily to send data displays to others.

A few of those features are designed to help users collaborate, and to that end, the BI tool includes a sharing function enabling multiple users to view and manipulate the same displays in a remote conferencing-like fashion.

He Scores!

The user interface providing access into the vast iBank database is a starting point. Blanco pushed further to combine the BI tool with scorecard capabilities.

Cornerstone previously has done work in this area, including a data-driven scoring system designed in partnership with Ruesink Consulting Group for Coca-Cola, which represented an early Cornerstone foray into the direct corporate market.

"People have asked me for the opportunity to apply scorecards across the board, not just in the typical manner that you see for policy, but to go beyond that: contracts, travelers, suppliers, the whole program in general," Blanco said. "Everything and anything that can be measured should be able to be graded."

The system uses familiar green-yellow-red scoring as well as Cornerstone's

"OneScore" methodology for grading traveler or divisional performance. Users can select from about 117 KPIs and set their own scoring thresholds, configure alerts for when scores hit a certain level and assess how behavioral changes would impact travel spending.

Meanwhile, by improving data collection processes, Cornerstone will apply "connectors" to suck in other data for the BI platform. Blanco said such sources could include credit cards, expense systems, agency back-office systems, global distribution systems, the U.S. Department of Transportation (fares and on-time performance, for example), the Airline Tariff Publishing Co. and data that's not specifically about travel.

"It could be information from a website, where you grab the URL and this thing will write a script automatically for you and now you have a new data connection and can build analysis around that," Blanco explained.

Blanco joins Orrego and Cornerstone senior vice president Aaron Hosey as leaders of the company's Innovation Group. According to the company, that group includes "dedicated innovators, developers and analysts" who are focusing completely on new products and tech integration.

Concur Unveils Product, Service Enhancements

CONTINUED FROM PAGE 22

"over the weeks and months ahead" will deliver a service to better handle trip disruptions. "If there's a disruption in your trip, it's going to figure out your next best option and deliver it to you, and can automatically book it for you without anyone else getting involved." He added that an automatic seat-upgrade feature also is in development.

- Raj Singh also spoke of a new dashboard to help clients and their travelers understand service issues, including downtime or maintenance. "When there is a service challenge, [users] don't have to deal with 10,000 phone calls because employees will know exactly what's going on," he said.

- Hilton demoed voice booking capabilities that would enable Concur users via the company's app to book airline tickets and hotel reservations with a few spoken words. He also described how search recommendations represent "a huge area of direction for us in the product." Those recommendations can start simple, based on a

user's previous travel or popular choices selected by that user's co-workers. Hilton said the idea is to "be smarter about tailoring search results to you. We made a big initial investment. We'll continue to invest in this area."

- Hilton also walked through Concur's "most significant user experience update we've ever done on the web," which he said would be launched within the next few quarters. With tablets in mind, the new interface has touch functionality. It displays outstanding items for users, whether those are expenses that need to be submitted, open expense reports that need to be filed or, for managers, items that need approval. A user's homepage also provides such stats as out-of-policy bookings, spending levels and other information.

- Gant Travel and mobility management firm Visage Mobile created for the Concur App Center a tool that proactively alerts Concur users to international wireless charges. Gant president Patrick Linnihan told *The Beat* that a pilot with one customer currently is underway for the service, which the agency

named Travel Mobility Guru. Referred to as International Travel Roaming Alerts in a Concur news release, the service "will notify travel and mobility managers to potential wireless and mobile spend overages before international travel takes place." According to Visage, "mobile 'roamers' are typically four times more costly than non-roamers." Linnihan said that Gant plans to offer it to corporate clients and other TMCs, and Concur noted the service would be "coming soon" directly from the Concur App Center.

- Concur announced that as part of its Perfect Trip Fund it invested on last-minute restaurant booking service Table8. Concur did not say exactly how much it invested, but noted that its contribution was part of a \$4.6 million round of funding that Table8 received. According to Concur, Table8 "is currently in beta in San Francisco and has plans to expand to other cities including New York, London and Chicago in the near future."

— Michael B. Baker contributed to this report.

Visa Adds New Categories For Ancillary Airline Data

BY JoANN DeLUNA

VISA HAS implemented new transaction categories that enable airlines to transmit additional payment details on ancillary airline fees, officials last month told *The Beat*. The new categories include transaction details for baggage, seat upgrades and onboard fees, according to Visa senior vice president of global commercial solutions Tad Fordyce.

The 23 categories, based on codes developed by the Airline Tariff Publishing Co., allow carriers to send to Visa “a separate record which will have the details broken out within it,” Fordyce said. “We pass [the data] to the corporates so they can identify what the transaction is really for.” Visa will work with the industry to add additional codes as needed, he said.

After working with airlines for a couple of years to develop the process, Visa in April launched with “a handful of major U.S. airlines,” and in October Visa will require all U.S. carriers to comply with the new standard, Fordyce said. He declined to identify current airline participants, and none of the several major airlines contacted by *The Beat* confirmed participation.

Visa will work to expand the ancillary airline transaction categories to



Visa's Tad Fordyce

other regions but did not release a timeline for doing so. While the new infrastructure resides within Visa's network and is therefore “available around the globe,” Fordyce said the next market to launch the service “will be based on demand.”

Third parties, including expense management systems, will be able to integrate the new transaction categories if they process Visa Commercial File version 4.4, Fordyce explained. Visa clients will not be charged an additional fee to receive the “level 2” data, as reporting on such fees will be part of Visa's standard offering, Fordyce said.

The move is somewhat reminiscent of corporate payment companies' on-

going efforts to deliver hotel line-item expense data through electronic folios.

Traditionally, travelers' ancillary air charges have been classified as airline tickets when expense data is sent to buyers, which has caused challenges for travel managers. Fordyce said that \$20 or \$50 fees classified as airline tickets can raise flags for those approving expenses.

“This back and forth creates lots of operational overhead for everyone involved,” he said.

Such misclassifications can cause additional conflict between airlines and their corporate clients if travelers make out-of-policy purchases, Fordyce added.

“From a compliance perspective, it will be easy to identify [transactions], and from an expense reporting perspective [transactions] will be broken out separately from airline tickets and easily identified so they can be classified accordingly,” he said.

Fordyce added that the solution is “specific to Visa transactions so other payment brands will develop their own solution.”

MasterCard plans to develop a similar ancillary fee data capture feature based in part on ATPCo ancillary classifications, according to group head

of global T&E products and solutions Richard Crum. Once established, MasterCard will be able to provide reports and data extracts that can categorize fees by type.

American Express claimed that reporting functionality it launched in February 2013 can track such airline ancillary fees as club membership fees, excessive baggage, frequent-flyer fees and inflight charges.

Some UATP issuers also are able to show ancillary fees, including those for seats and baggage, in their reporting, according to vice president of communications and marketing Wendy Ward.

Soothing Authorization

Meanwhile, Visa in January upgraded for all cards, including corporate cards, its advanced authorization system. Dubbed Travel Tag, the new service will use card data to determine users' location when traveling so purchases outside the user's home location aren't immediately flagged or declined. Typically, unless a user notifies the bank of travel dates and locations, it will flag or decline card use for unusual activity. The previous process “caused customer service issues,” Fordyce said, “and it's a pain to call the bank to release authorization parameters.”

Amex, Feds Submit Witness Lists Ahead Of Scheduled July Trial

BY DAVID JONAS

American Express and the U.S. Department of Justice are gearing up for a July 7 trial date, which will see the former defend allegations that it violated federal antitrust laws. Pending since 2010, it's a case that travel sector merchants should be watching as many of them incur higher-than-average card acceptance fees, at least according to DOJ allegations.

Court documents filed this month now include witness lists populated by some names known well in corporate travel circles, and some stats on the market positions of American Express and its rivals.

Appearing on one or both of the plaintiffs' and defendants' witness lists are representatives of Delta Air Lines (managing director of distribution planning Chris Phillips), Enterprise Holdings, Expedia, Hilton Worldwide (vice president of global strategic partnerships Scott Brennan), JetBlue Airways (president Robin Hayes), Mark Travel, MasterCard, Omni Hotels & Resorts, Republic Airlines, Southwest Airlines,

Starwood Hotels & Resorts Worldwide, United Airlines (former senior vice president of marketing Mark Bergsrud) and Visa.

When listed on the plaintiff's list, many such witnesses are expected to “testify about facts relating to: credit card acceptance, whether there are competitive alternatives to accepting credit cards, acceptance of American Express or the effects of American Express's Merchant Restraints.”

Amex executives on the witness lists include chairman and CEO Kenneth Chenault, president Ed Gilligan, executive vice president and general manager Pamela Codispoti, former Merchant Services Americas head and former Global Business Travel president Kim Goodman and current Global Business Travel president and CEO Bill Glenn.

Ahead of the start of the trial in the U.S. District Court of Eastern New York, each side is expected to file pre-trial briefs by June 20. The parties agreed that the case will be tried without a jury and that “a chess clock” would be used during the trial. The

plaintiffs told the court that they'll need “approximately 100 hours of live court time to present their case.” Amex said it will need about 125 hours to cross-examine the plaintiff's witnesses and present testimony from its own.

DOJ in 2010 alleged that Amex, MasterCard and Visa have “rules that prohibit merchants from encouraging consumers to use lower-cost payment methods when making purchases.” Visa and MasterCard quickly settled.

DOJ continues to allege that Amex, including both the parent company and American Express Travel Related Services, “unreasonably restrict competition between credit card networks and unlawfully insulate American Express from competition.”

Of particular interest to the travel industry, DOJ claims that airline, lodging and rental car merchants are “exposed to price discrimination” from Amex, driven in part by the card firm's market power in the corporate T&E card sector. According to DOJ's 2010 complaint, Amex at the time accounted for “70 percent of all expenditures made with corporate cards, which consist

largely of T&E merchant purchases.”

In court documents, Amex in its stated defense asserted that “it cannot be shown that American Express has antitrust market power in any relevant antitrust market.”

According to a joint statement of undisputed fact, as of 2013 about 9.4 million U.S. merchant locations accepted Visa and MasterCard, 9.2 million accepted Discover and 6.4 million accepted Amex. Visa had the largest card circulation, with 254.1 million of its branded general purpose credit and charge cards issued in the United States, followed by 178.3 million from MasterCard, 63.6 million from Discover and 53.1 million from Amex.

Visa accounted for 45 percent of U.S.-branded general purpose credit and charge card volume, leading American Express (26.4 percent), MasterCard (23.3 percent) and Discover (5.3 percent). Visa's lead is wider when including volume from branded debit and prepaid cards; Amex does not issue debit cards in the United States.

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DOT Proposes Ancillary Fee Requirements, Might Exclude Global Distribution Systems

BY JAY BOEHMER

THE U.S. Department of Transportation last month finally proposed a long-awaited rulemaking that, among other proposals, would govern the display of ancillary fees in various sales channels.

Yet, for that specific potential requirement—which, like other rules proposed last month, now is subject to a 90-day public comment period—DOT offered two alternative proposals, one of which would exclude global distribution systems from the new ancillary fee requirements, and another that would include them.

For both scenarios, DOT proposed to require that airlines disclose fee information for “basic ancillary services to all ticket agents to which a carrier provides its fare information.”

In its definition of “basic ancillary services,” DOT included “first checked bag, second checked bag, one carry-on item and advance seat selection, to the extent these options are offered by the carrier.”

Furthermore, DOT also proposed to require that “all ticket agents and airlines that provide fare information to

consumers to also provide fee information for basic ancillary services to consumers,” according to the notice of proposed rulemaking. “This information should be made available to the consumer at the point in which fares are being compared.”

Regarding such ancillaries, DOT’s proposal would “not require a carrier to allow ticket agents to sell these services; or if a carrier permits ticket agents to sell those services, it would not require carriers to charge the same fee for the service as the agents,” according to the proposed rules.

“If a carrier is not selling the service through a ticket agent, the carrier and ticket agent are responsible for disclosing to consumers when and how fees should be paid, and for baggage fees, must honor the fee quoted at the time of purchase.”

DOT is soliciting public feedback as to how ancillary fee disclosures should occur, and whether they should be “disclosed only upon the consumer’s request” or “provided in the first screen that displays the results of a search performed by a consumer.”

Those deliberations should foster in-

tense industry debate.

Still, it is unclear to what extent the disclosure rules ultimately would apply to corporate travel agencies. DOT plans to assess during the public comment period whether its ancillary fee requirements should apply “only to agent and carrier website displays marketed to members of the general public, or whether the disclosure requirement should include agent and carrier website displays that are not publicly available (e.g., displays used by corporate travel agents).”

Among other proposals released last month, DOT also clarified its definition and interpretation of “ticket agent,” which officially would include GDSs, “websites with flight metasearch engines, and similar intermediaries in the sale of air transportation, if the intermediary is compensated in connection with the sale of air transportation.”

DOT’s proposed rules also would place additional requirements on “large” ticket agents, defined as those with at least \$100 million in annual revenue.

Among “certain customer service commitments” DOT would impose on large operators is a requirement to “provide prompt refunds where ticket

refunds are due, including fees for optional services that consumers purchased from them but were not able to use due to flight cancellation or oversale situation.”

DOT also proposed large agents “provide an option to hold a reservation at the quoted fare without payment, or to cancel without penalty, for 24 hours.”

Large agents also would be required to disclose “cancellation policies, seating configurations and lavatory availability on flights,” and alert customers “in a timely manner of itinerary changes.”

Those agencies may also be required, if the proposals are adopted, to “maintain and display lists of carriers whose tickets they market and sell.” If adopted, DOT suggested it would give clarity on “how to disclose the carriers that are marketed and sold by the ticket agent.”

The rulemaking also formalizes DOT’s prohibition against “undisclosed biasing by carriers and ticket agents” in any online fare display that compares multiple airlines. The new bias rule would extend to corporate agencies unless a corporate client “agrees by contract to biases in the display used by its employees for business travel.”



Travelport Files For U.S. Initial Public Offering

BY DAVID JONAS

Travelport’s trying again. More than four years after scrapping plans for an initial public offering in London and about eight years after being purchased by an affiliate of the Blackstone Group for \$4.3 billion, the company this month filed with the U.S. Securities and Exchange Commission plans to launch an initial public offering. If it goes through this time, Travelport Worldwide Limited’s IPO would follow that of fellow GDS operator Sabre, which was smaller and cheaper than expected (though at press time Sabre’s shares were trading above \$19, up from \$16 when initially priced in April).

Travelport said that the number of available shares and the price range haven’t been determined, but it did note that proceeds would be used to reduce “outstanding indebtedness.” The company described its level of indebtedness as “substantial,” totaling about \$3.4 billion as of March 31.

Travelport didn’t specify which

public exchange it would join, but said its ticker symbol would be TVPT.

The SEC registration statement detailed the company’s financial performance (which it already discloses), the expected exhaustive list of risk factors (notably desires by travel suppliers to reduce distribution costs and reliance on GDSs) and other tidbits.

Based on MIDT information, Travelport for 2013 claimed a 26 percent share of “global GDS-sold air segments.” That compares to Sabre’s claim of a 37 percent share. Measured a bit differently, Amadeus last month claimed a 39.9 percent share of global travel agency air bookings.

Though it lags its peers in share, Travelport claimed to be “the most geographically balanced participant in the travel distribution industry,” with 68 percent of 2013 “Travel Commerce Platform” revenue derived outside the United States, including 30 percent in Europe and 19 percent in Asia/Pacific.

The company claimed several other advantages, including its eNett payments business (which has been un-

dergoing explosive growth) and, via its Rooms and More booking engine, “the largest inventory of hotel properties on any travel platform in the world.” Overall, Travelport has been emphasizing growth in “beyond air” activities, which experienced a 14 percent revenue jump from 2012 to 2013.

Travelport also noted a strategy to grow in the business travel space by “investing in products that distribute travel technology solutions directly to corporations, allowing them to easily access and book travel content that incorporates their travel management policies directly through our platform.” In the massive registration statement, though, there was no mention of Travelport’s Traversa booking tool, which is losing IBM, its largest user.

Tidbits

- Travelport’s largest business travel agency customers based on 2013 revenue were (apparently in alphabetical order) American Express, BCD Holdings, Carlson Wagonlit Travel, Flight Centre Limited and Hogg Robinson Group. Its

top online travel agency customers last year were Orbitz Worldwide (of which Travelport now owns 37 percent following a recent underwritten public offering of shares), Priceline and Expedia. Overall, 20 percent of agency revenue came from OTAs, 40 percent from “business travel” and 40 percent from leisure travel. “For the year ended December 31, 2013, our top 10 travel agency customers represented approximately 30 percent of revenue and no single travel agency customer accounted for more than 10 percent of revenue.”

- Travelport also noted that its top 2013 hotel providers were Hilton, InterContinental Hotels Group and Marriott Hotels. Its top car rental providers were Avis, Dollar, Enterprise, Hertz and National.

- Claiming its “single user interface encourages those booking travel to purchase additional products and services,” Travelport indicated that for every 100 air tickets sold in 2013, 41 included a hotel booking. That was up from 34 percent in 2010.

HRG Talks Tech Investments After Slow Year

BY AMON COHEN

HRG HAS SET aside £5 million to develop and promote in the next 12 months its emerging booking, expense and payments software-as-a-service business. The travel management company plans to invest in new products, new personnel and a sales and marketing push, which chief executive David Radcliffe last month strongly hinted to *The Beat* would include branding the SaaS business as a separate entity from HRG's core travel management company offering.

"There would be a certain compelling logic in having a separate brand for that. Watch this space," he said. The brand initially will be promoted in Europe and Australasia, with North America scheduled for a secondary phase.

Radcliffe also said that the imminent arrival of the International Air Transport Association's New Distribution Capability technology standards—given tentative approval last month by the U.S. Department of Transportation (see story, page 4)—could lead to the company assuming more of a role as a distributor. HRG already offers its own booking tool with direct-connect capabilities. Taking airline distribution a step further could put the company in a position, subject to ambition and funding, to offer comprehensive vertical integration of many elements of the travel service chain usually offered separately by global distribution systems, TMCs, online booking tools and expense management tools. "I think we will act as distributors for certain of our clients," said Radcliffe. "Whether we act as a public distributor remains to be seen. There is a compel-

ling logic, but it is not a primary objective of our strategy."

HRG last month announced annual results for its fiscal year ending March 31. In spite of a solid improvement in transaction numbers in North America and its home market of the United Kingdom, revenue dipped 1 percent to £340.8 million (US\$567 million). However, cost-cutting enabled underlying operating profit to rise to £49.9 million (US\$83 million) from £48.8 mil-

lions, but it is not a primary objective of our strategy."

The year on which HRG reported is a case in point. The company said it saved £7 million through reducing staff, closing locations and optimizing call center services, but it spent the same amount on redundancies and extricating itself from onerous leases. HRG said there was further downward pressure on its top line from "strong competitive pricing."



"I think we will act as distributors for certain of our clients. Whether we act as a public distributor remains to be seen. There is a compelling logic, but it is not a primary objective of our strategy."

—HRG CEO DAVID RADCLIFFE

lion. Underlying pre-tax profit grew 3 percent to £35.8 million (US\$59.6 million), but that was still below the 2011-2012 figure of £38.2 million.

Radcliffe conceded the numbers aren't "going to change the world," but claimed that "in the long term, these are good and growth businesses." He argued that the conventional TMC business has not yet completed restructuring owing to growth in online bookings (up to 42 percent of total HRG reservations from 36 percent a year earlier), which command far lower fees. "As online moves up we have to take out cost, and that becomes a cost in itself," Radcliffe said. "Until we get to a stage where online

This tendency for the TMC sector to eat itself raises further questions about its long-term viability. It's all the more important, therefore, that TMCs start to diversify. HRG said there is more growth to come in managed travel through specialized services to the oil, gas and marine sector and strategic meetings management, but Radcliffe believes last month's implementation of the Canadian government account, won a year ago, provides evidence of what the future looks like. HRG is providing online booking, expense management and traditional TMC services to the Canadians, handling 120 departments and 170,000-plus staff. HRG

group finance director Philip Harrison told *The Beat* investment in the implementation cost a couple of million pounds in its most recent fiscal year but will deliver improved revenues and earnings in its next.

According to Radcliffe, the development of HRG's SaaS business, especially an integrated booking and expense tool, will enable his company to compete not only with other TMCs, but also the likes of Concur, although, Radcliffe claimed,

his company possesses a significant advantage. "Concur doesn't own its clients' travel management and the fulfillment which goes with that," he said. "Owning and being able to control service delivery is going to be important to our model. With the Canadian government, the only piece we don't own is the payment process, which is handled by Bank of Montreal."

The HRG results offer several other insights into the state of corporate travel by region. Observing in its financial statement that "clients remain cost-conscious," the figures show North American and U.K. companies in particular upping trips considerably but exercising cost-control measures, including shifting to online booking. In Europe as a whole, online accounted for 36 percent of transactions, up from 30 percent last year, but in the United Kingdom, online increased to 50 percent from 43 percent—closer to the level in North America, where the online percentage increased to 56 percent from 51 percent.

More directly, average price per trip appears to be falling. Data from HRG last month about its U.K. clients showed continuing downtrading from business class and a shift to cheaper, more restrictive fares. Globally, HRG's financial results revealed total client transactions rose 8 percent and spend rose 5 percent at constant currency. The steepest growth was in North America, where transactions jumped 17 percent and spend rose 14 percent. Another strong performer was the United Kingdom, where transactions rose 14 percent and spend 11 percent, but as a whole European transactions were up a more modest 7 percent (although rail rose 12 percent) and spend was up 3 percent, all owing to weakness in the Nordics, Germany and Switzerland.

Expense management subsidiary Spendvision saw its revenue improve to £19.7 million (US\$32.8 million) from £18.5 million, with underlying operating profit remaining unchanged at constant currency.

NEWSLOG

HRS: Share Of Hotel Bookings Through Mobile Channels Soars

Hotel specialist HRS reported that the proportion of 2013 bookings it handled via mobile channels doubled from a year earlier to 12 percent, adding that it expects rapid growth to continue for the foreseeable future. "We expect that every other booking will be made via mobile devices in three years," according to HRS CEO Tobias Ragge. HRS noted that 75 percent of bookings through smartphones are for the same or next day. Bookings via tablet devices are more likely to be further in advance and for more nights. The company also announced "Mobile Special Tariff," which guarantees a minimum 10 percent discount on rates from partici-

pating hotels. HRS said the program will allow hotels "to market residual capacities to business travelers and spontaneous bookers."

Frosch Adds VP For Concur

Travel management company Frosch named industry veteran Steve Sedgwick to the newly created position of vice president of Concur platform services and sales. In a company announcement, the TMC indicated that the hiring is meant "to assist in the growth of [the] technology partnership with Concur." Frosch cited Concur's TripLink suite of open-booking services, adding that it "looks forward to

taking a leading role in the future of managing 100 percent of its corporate clients' travel, regardless of the distribution channel." Most recently executive vice president at TravelSolutions by Campbell, Sedgwick has been a TripLink booster. In November he told *The Beat* that while "the GDS is a great tool ... it is incomplete."

Amadeus, Germanwings Deal

Lufthansa subsidiary Germanwings struck a deal with Amadeus to distribute via the travel agency channel "all" published fares and "the most demanded" ancillary airline services, according to the companies.

Hotel Booking Platform Olset Eyes Integration With Corporate TMCs, Expense Tools



BY MICHAEL B. BAKER

WITH \$1.1 MILLION in funding recently secured, the team behind automated hotel booking platform Olset now is pursuing partnerships with travel management companies, online travel agencies, expense management suppliers and travel app developers.

Olset claims to find personalized hotel recommendations for travelers by matching traveler preferences against data from such sources as TripAdvisor reviews and Facebook posts. It attracted funds from investors including Montage Ventures and Digital Garage 500 Startups, and added former American Express Global Business Travel vice president Hervé Sedky to its advisory board. Now, the company's goal is "proving out that this model really works," said Olset founder and president Gadi Bashvitz.

Olset currently has pilots in place with a few OTAs, which Bashvitz would not name. In those pilots, Olset is enriching data on hotels in the OTA databases with its own "sentiment data," he said. At the same time, Olset can use historical traveler data automatically to build profiles for travelers, so when those travelers search, those OTAs can use the sentiment data to weigh results and provide explanations

as to why a hotel is a match—a traveler whose profile ranks fitness as important would see that a hotel's gym received stellar marks, for example.

Those partnerships now are moving into their third phase, which is "live production in some countries," according to Bashvitz. Olset in those cases is running "completely in the background," he said.

Bashvitz said he similarly is pursuing relationships with corporate TMCs, as Olset's algorithm can consider corporate travel policies. "It's pretty basic right now, but we can first find hotels that are a match for a traveler, then overlay the company policies, which hotels you prefer and have agreements with," he said.



Olset's Gadi Bashvitz

the past to integrate the whole booking process from there," Bashvitz added.

The company also continues to seek partnerships with app providers—particularly productivity apps. It already has integrated with personal planning app Any.do.

Olset also has expanded upon its initial booking concept—integration with calendars and virtual assistants to drive

bookings. Knowing that not everyone will want to give access to those, Bashvitz said the company now is developing other booking methods. Travelers, for example, can email booking metrics or send a calendar invite to Olset to receive booking suggestions. The company also is exploring Twitter, texting and other methods to manage bookings.

Total booking automation in the corporate travel space likely will face some resistance from travelers themselves. Steven Mandelbaum, vice president of information systems for The Advisory Board Co., said he had once tested in focus groups the idea of an automated wizard that lets agents book based on information from calendars. It did not go over as he expected. "I thought there would be ticker-tape parades and they were going to erect a statue of me, but they were ready to throw stones at me," Mandelbaum said. "They don't want to dig and dig and dig, but they do want to see choices."

Bashvitz from the start acknowledged that most travelers were not yet ready to completely cede booking choices to a virtual agent, which is why Olset offers a few options for booking rather than automatically booking a single property. It also has integrated with travel comparison technology supplier ClickTripz to allow travelers to see pricing from various sites so that "they are comfortable they are getting the right pricing," Bashvitz said.

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Interview: CTM North America's Romeo Cuter



with *The Beat's* David Jonas about integrating U.S. acquisitions, a goal "to be a major force in the U.S." with \$500 million per year in annual sales volume and trends around the industry. Excerpts follow.

David Jonas: What are your priorities now that there is a foothold here in North America?

Romeo Cuter: We have had two acquisitions already, the Polk business and the TravelCorp business in the south, predominantly Louisiana and parts of Texas. My top priority is effective

integration of those two U.S. operations. There is a lot that has been done, but still a lot that needs

to be done. In an acquisition scenario, you'd like the math to be one plus one equals three, and certainly we are seeing some business synergies that will help us get to three. We are looking to remove cost from the business, streamline technology where it makes sense and aggregate our now-considerable buying power when we start talking to suppliers. Among the things that always will be a priority are our clients and employee retention. That will be critical for us regardless of our aspirations for organic growth or acquisitions.

Jonas: What are the most challenging aspects of integration—aligning technology, getting the message out to the market, coordinating processes and sales functions?

Cuter: It's a bit of all of that, but it all starts with communication internally. We want to make our people more efficient and make sure our offering to the market is compelling and has ROI for the customer. It's also looking at the organizational structure of the company and processes we have in place. Some of those are large items and some are really small; it could be things like integrating our dual methodology for expenses.

Jonas: Coming from headquarters in Australia, CTM has been working to develop its own technology. Are there specific components already in place in North America, and what does the roadmap look like?

Cuter: Certainly there is a lot of technology that already is operational in Australia that we want to bring over here as quickly as we possibly can. But we are about customized solutions, and we try to build products that help not only a particular customer, but all of them. The pipeline of technology for us is pretty exciting. In Australia we have significant resources both from a headcount point of view and also funds for technology that we are working on. I won't say specifically what it is, but some of the technology could be game-changers for the industry, possible disruptors as well. We are looking at online, at mobile, etc. We have a great relationship here in the U.S. with [Glendale, Colo.-based] Agency Technology, which helped us develop mid-office solutions, and we think this will be a real differentiator for us in the space.

Jonas: Does CTM in North America have a particular niche in terms of clientele?

Cuter: We are a mid-size company and we are looking for small and medium enterprises and midmarket clients. We are not in the large market space; we won't be there for some time to come. Our growth plan has us wanting to get to half a billion U.S. dollars per year [in North America sales volume]. I am fairly confident we'll get there organically and through acquisitions. We are still very interested in acquisitions. As our clients are growing domestically and globally, there is upward

pressure on us to bolster our offering on an international level, and you have seen our acquisition of Westminster Travel in Asia/Pacific that makes us a significant player over there. And the Australian business is almost a household name down there.

Jonas: What other CTM developments in North America can you tell us about?

Cuter: We'll do a lot better job building our brand and our business. We want to be a major force in the U.S. We have three basic business lines: corporate, which is our CTM brand; leisure is very important as well, and we have a large base of independent consultants, and that is under the Allure Travel brand; and we have the end-to-end solution in events, and that's our Event Travel Management brand. We're going to do what we can to get the story out.

There are acquisitions going on in the market now; a lot of medium-size regionals are doing the same thing. But I think our acquisition methodology is a little different. We look at culture, so when we do the integration it is not a quantum leap because we have like-minded businesses and people. We certainly look at the financials, as everyone else does, but our end game is to grow a strong TMC regionally and globally, that is wholly owned, that has the same business DNA and has the same business ethos.

Jonas: How do you gauge the health of the corporate travel industry right now?

Cuter: We are very optimistic about the industry, particularly in the space we are working in, the SME and midmarket space. If you look at consolidation in the airline sector, you can argue that the corporates in our sector are being

marginalized. For us, that enhances our value as a TMC and other TMCs operating in the space. We see it as an exciting time despite the small percentage growth [in overall corporate travel volumes].

Jonas: Among SMEs, is it more the case that those already using a travel agency are traveling more, or those that haven't previously used an agency are starting to do so?

Cuter: It's both. There are new entrants to the space, and there are other customers migrating down. Certainly the megas are very competent in their space, but even where the spend would suggest a company would be in the mega space, some are moving down because they are looking for an alternative, particularly on the service-offering side.

Jonas: Are you seeing a trend away from globalization, as companies instead stitch together a global program using various travel management companies selected for their strength within particular regions?

Cuter: You can't make a blanket statement. We are seeing that, but we are also seeing others go the other way toward global. But there is that sort of regional decision-making that is coming into play. It has a lot to do with corporate culture, regionality, ability or not to mandate, etc. We have a global footprint through the Global-Star network, but not enough of a wholly owned one at this moment in time to say we are a global player, so we love that best-in-market approach, because we are competitive when it comes to that dialogue, and we are seeing more of it. 🌐



Managed Travel Programs Gain Ground In Latin America

By Michael B. Baker



Managed corporate travel in Latin America is showing new signs of maturity, though developing global travel programs in the region still present some cultural and structural difficulties.

Although its economic growth has slowed in recent years, Brazil remains the powerhouse as far as corporate travel in the region is concerned. In terms of domestic passenger traffic, it is the fastest-growing and largest airline market in the region, and the third-largest in the world, behind only the United States and China, said Eduardo Murad, business development director for Brazilian travel management company Alatur JTB, during a panel at an Association of Corporate Travel Executives global conference in April in Miami.

Brazil also “takes the lead in terms of maturity of travel management, though there are other countries

there that are as ready,” Murad said. “Mexico, Argentina, Ecuador and Chile are all moving good.”

Corporate travel also has been on the rise in Peru, where the economy during the past seven years has grown even more than Brazil’s, said Arturo Garcia Rosa, president of the South America Hotel & Tourism Investment Conference. While Peru’s reputation is more of a leisure destination vis-à-vis Machu Picchu, a large portion of its travel market is either corporate or corporate combined with leisure, he said.

While global travel program consolidations conducted by many multinational companies based elsewhere have included Latin America, some firms

based in the region now are looking at globalization as well. Fernando Marcomini, director of global sales and services in Latin America for Radius Travel, said his agency is working with an unidentified Brazilian investment bank that he claims is the first client to go global from the region.

“Most of the time, we receive direction from the U.S. and Europe to develop and follow the travel program, but now we are doing the opposite,” Marcomini said. “They are working in a very collaborative way to push the local context into the global travel product and try to define why they’re trying to do that.”

Once that company completes its consolidation and shares its experiences, others likely will follow, he said, adding that Radius is talking with several Brazilian companies exploring travel program globalization options.



Still, travel management in Latin America presents some obstacles. Most local companies, for example, still do not have dedicated, full-time travel managers, with the responsibilities often falling to people in procurement or human resources departments or the administration, Murad said.

At the same time, policies and preferred vendors often contradict the ways top executives in the region are accustomed to conducting their travel, he added.

"You have presidents and high directors in the companies that have a direct relationship with presidents or directors from the supplier side, and they decide some things directly and do not communicate properly to travel management," Murad said. "It can be an issue, especially when you try to put a global policy in place and it goes against the authority of those local relationships."

Online booking also remains a challenge in the region, both from a cultural and content standpoint. As with travel management in general, corporate online booking is more mature in Brazil and is present but "not too common" in Chile, Argentina, Peru and Colombia, Marcomini said.

"Email and telephone is very strong," he said. "They need to develop this trustful relationship before starting any service or request, and they feel technology is very mechanic."

In regard to content, about 40 percent of hotels in the region are not listed in global distribution systems, Marcomini said. Owners of many of those hotels often prefer to work directly with clients when it comes to bookings.

Airlines, meanwhile, often put part of their content on the GDSs and reserve some for their websites, he said.

On the payment side, companies in the region generally have a high adoption of corporate cards or ghost cards for air travel, but hotels present a more complex problem, Murad said. Even though major hotel brands are increasing their presence in the region, most properties there are independent—in Brazil, for example, only 35 percent of hotels are part of an international chain, he said. As such, many hotels handle payment through invoicing. Car rental payments also often are handled through invoices, even though most of those vendors accept credit cards.

"This affects travel costs, because the travel agency is the one invoicing on behalf of the client," Murad said, adding that agencies often must have a large staff dedicated solely to fulfilling hotel and car invoices.

The region also lags in automated expense management. Most companies that have a system in place are either multinational or have developed their own, according to Murad.

SUPPLIER OUTLOOK

For Latin American airlines, 2014 is poised to be "more dynamic than ever in terms of landscape," said Manoel Suhett, Latam Airlines Group sales vice president representing the United States, Canada and the Caribbean.

"You're going to see a lot of carriers aligned with two codeshare agreements, and most of them also are going to be part of a global alliance," Suhett said during the ACTE conference. "At the same time, there will be a lot of pressure as more low-cost carriers enter into the market."

As of April, 388 hotels totaling 63,636 rooms were under development in Central and South America, according to STR Global. More than two-thirds of those rooms are in Brazil, with construction ramping up

Neeleman's Brazilian Airline, Azul, Requests Permission For U.S. Launch

BY JAY BOEHMER

AZUL LINHAS AÉREAS Brasileiras, the Brazilian airline established by JetBlue Airways and WestJet Airlines co-founder David Neeleman, this month applied with the U.S. Department of Transportation to launch U.S. service as soon as this year.

The airline in its June 2 request indicated plans to launch in December daily service from São Paulo Viracopos-Campinas International Airport to Fort Lauderdale-Hollywood International and Orlando International airports, followed by daily New York JFK service commencing in July 2015. The flights represent "the first international service operated" by Azul, as it builds upon a large domestic Brazilian presence.

Claiming to be the third-largest airline in Brazil, Azul operates 870 daily flights to 104 destinations

within the country, with a 33 percent share of domestic Brazilian departures.

The airline in April first announced plans to launch U.S. service. Its application indicated it would operate the proposed routes using Airbus A330-200 aircraft, "which will be configured with 272 seats, but will be later modified to utilize 246 seats." The request did not disclose proposed class configurations.

Azul in its application claimed the "new service will provide additional nonstop travel opportunities to citizens of both the U.S. and Brazil, serve the interests of comity and reciprocity, benefit travelers in both countries, and will therefore serve the public interest." 

on properties due to be finished in time for the 2016 Olympic Games in Rio de Janeiro.

Speaking this month at the New York University International Hospitality Industry Investment Conference, Blackstone global head of real estate Jonathan Gray named Colombia as one of three emerging markets—alongside India and China—presenting the most opportunity for hotel investors.

"It's a very well-run country, fiscally responsible, and there's been a dramatic turnaround from where it was 10 to 15 years ago," Gray said. "There's not a lot of capital in a place like Colombia, so the growth should be high."

Though hotel companies initially wanted to get their upper-tier brands into the region, Latin America now is seeing more midprice and select-service brands spread. More than 40 percent of the rooms under development in South and Central America as of April were either midprice or upper-midprice, according to STR Global.

South America Hotel & Tourism Investment Conference's Rosa said select-service was "the future opportunity all over the region, not just in the main cities. There are a lot of new projects on the table, both individual properties and multi-properties." 

Latin America Hotel Pipeline

As Of First-Quarter 2014, With Year-Over-Year Changes

Status	Projects	Rooms
Under construction	394 (+18%)	67,133 (+22%)
Starting within 12 months	169 (+20%)	26,690 (+12%)
Early planning	255 (+4%)	33,727 (+2%)
Total	788 (+14%)	127,550 (+14%)

Top Latin American Countries For Hotel Development

As Of First-Quarter 2014

Hotels	Projects	Rooms
Brazil	408	69,023
Mexico	138	20,140
Argentina	40	4,231
Colombia	39	6,406
Panama	28	5,538

Hotel Companies With Largest Latin America Pipelines

As Of First-Quarter 2014

Company	Projects	Rooms	Brand With Largest Pipeline
Accor	110	17,891	Ibis
InterContinental Hotels Group	63	8,811	Holiday Inn Express
Choice Hotels	48	7,073	Comfort Inns & Suites

Source: Lodging Econometrics



How To Better Monitor Expense Report Abuse, Waste And Fraud

By Chris Rossie

Executive vice president of business and corporate development Oversight Systems

Travel and entertainment spending can represent as much as 6 percent of all corporate expenses, and with the large volume of travel transactions and growing globalization of business it can be difficult to monitor such expenditures in a timely and effective way. Not doing so leads to policy abuse, fraud and unforeseen T&E waste. Here are six tips to reduce T&E waste and positively influence traveler behavior.

Stop Duplicate Expense Submissions

T&E management systems do a good job of discerning when an expense is recorded twice on the same expense report. Things get a little more challenging when expenses are duplicated across multiple expense reports for the same traveler, or when two travelers claim the same expense on different reports. There are two common scenarios for how this can occur.

In the first, a traveler submits an expense report that includes an airline ticket. A month later, he can't remember if he submitted that airline ticket for reimbursement. He can't find his credit card receipt, but he can find his itinerary. He submits another expense report for the current time period with his itinerary and claims the expense as an out-of-pocket expense. While certainly erroneous, this isn't necessarily malicious.

In the second scenario, two or more travelers have dinner together. One pays for the meal with her company card and properly expenses the meal. The other takes the itemized receipt and expenses the same meal as an out-of-pocket expense. This behavior is rarely a mistake, and travelers who abuse the system like this often are misusing other company policies as well.

Companies that automatically monitor their T&E transactions and report on (at least) a monthly basis see a significant reduction in these behaviors. Erroneous duplicate submissions still occur, but the errors are identified and the erroneous reimbursements returned. More importantly, with increased supervision, abuse drops to near zero as travelers understand that companies are auditing spending patterns.

Identify And Address Misclassified Expenses

T&E management systems now streamline the process for travelers to account for their expenses, and make it easy for them by allowing receipts to be photographed and electronically attached to reports.

They also present drop-down menus that make it

easier than ever to select expense types; it's a lot easier to select "hotel," "taxi" or "airfare" than it is to type in the expense category. The challenge comes when travelers erroneously select an expense type or intentionally misclassify the transaction. Misclassification errors impact the deductibility of an expense for U.S. Internal Revenue Service reporting purposes, misrepresent the distribution of spending and conceal expenditures not compliant with company policies.

In some cases, the purchases are obviously non-compliant and the merchant category code (MCC) should be blocked. In all cases, it is worth reviewing misclassified expenses to determine if the purchases are necessary, but more than this, misclassified expenses should raise important questions. Are these errors indicative of other unwanted behaviors? Should policies change to address these scenarios?

Focus On Suspicious Out-Of-Pocket Expenses

Out-of-pocket expenses are a fact of life in business travel. Not all taxis accept credit cards, many European locales outside of major cities prefer cash as payment, and bellhops don't take credit card tips or provide receipts.

Out-of-pocket expenses also can be used to game the company expense system. Out-of-pocket expenses often are used as a way to circumvent blocked MCCs on corporate cards or accumulate expenses on personal credit cards in order to add points for their own uses. While some of this behavior isn't malicious or fraudulent, it isn't always in the best interest of the company.

To hone in on suspicious out-of-pocket spending, identify statistically high out-of-pocket expense claims. Airline tickets are a great example. These are usually indicative of card spend that has been redirected to an employee's own credit card.

Also, look for out-of-pocket expenditures on the same date and for the same amount as card expenditures that have been expensed on other expense reports. This usually indicates a duplicate submission.

To reduce fraudulent out-of-pocket expenses, implement a monthly audit system to monitor 100 percent of T&E transactions. Employee behavior will change once they know the chances for exposure are greater.

Beware Of Weekend And Holiday Purchases

Weekend and holiday purchases are a tricky outlier in the T&E game. Today's modern road warriors often are expected to begin and end travel on weekends and

holidays. In most cases, weekend and holiday travel is nothing to worry about, but the timing of a purchase can tip the scale in the direction of suspicious when considered with other indicators. Visits to the grocery store during the week listed as entertainment might be a sales representative purchasing items for an office breakfast for a client meeting. But when the grocery purchases are made on the weekend and classified as office supplies, suspicion increases. Is this traveler doing weekend grocery shopping and putting it on the company travel card?

Keep An Eye On Lodging And Meal Outliers

Hotel and meal prices vary widely by city and country. The key to cutting waste and abuse around hotels and meals is to understand what is normal for your travelers and to spot when such expenses are wildly out of balance with the rest.

Here are three methods to help you keep an eye on lodging and meal outliers:

Benchmark your travelers so you know what is usual for lodging and meals by city. This requires cataloging all hotel stays by night and understanding the itemized expenses. Separate lodging and related taxes from other expenses at hotels, including meals and Internet. If a traveler's lodging expenses are consistently higher than their peers, you may want to ask why.

All meals should be cataloged, and be sure to identify the number of participants for each meal. For instance, the sales team when entertaining clients may spend more on meals when traveling than marketing or operations, but if a salesperson's meal spend is just as high for meals eaten alone, there may be an issue.

Take specific expenditures by traveler and compare them with the norms indicated by the overall traveler data. You will be able to see which travelers have higher spending patterns than your norm, and allow you to take steps to understand why.

Don't Forget About Receipt Limits

While the IRS requirement for receipts is \$75, every company has its own policy for the minimum receipt level. In the United States, most companies set this limit at \$25, and this limit usually varies to some degree by country and/or region elsewhere in the world. We've observed that abuse of the receipt limit is a strong indicator of abuse in other areas of expense reporting.

While the spending limit is negligible, especially in comparison to overall spending, it is useful for companies to monitor expenses under the receipt limit and look for patterns that may indicate waste and abuse. 🔍



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